

HB 2128 -1, -2 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Chris Allanach, Legislative Revenue Officer

Meeting Dates: 2/5, 2/25, 5/29, 6/5

WHAT THE MEASURE DOES:

Modifies the definition of "tax expenditure" to exclude provisions of federal law that prohibit taxation by the state or local governments. Requires the Department of Revenue and the Legislative Revenue Office to study the statutory definition of tax expenditures in conjunction with the operation of automatic sunset provisions of statute. The study should lead to recommendations for proposed legislation and be presented to the Assembly no later than April 1, 2021.

ISSUES DISCUSSED:

- The concept and definition of a tax expenditure
- The idea of an implicit sunset
- The sunset and review process

EFFECT OF AMENDMENT:

- 1 Extends sunset by 2 years for certain tax expenditures with implicit sunset dates. Changes due date for required report.
- 2 Replaces bill with just a study requirement.

BACKGROUND:

The 1995 Legislature required the creation of a tax expenditure report in conjunction with the Governor's Budget. As part of that law, the Legislature adopted the following definition: "tax expenditure" means any law of the federal government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.