



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 654

PRINTER'S NO. 1433

PRIME SPONSOR: Bartolotta

INCREASE / (DECREASE)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	(\$290,000,000)
Public Transportation Trust Fund	\$0	\$282,800,000

SUMMARY:

Senate Bill 654, Printer's Number 1428, as amended by A03667, would create an income tax percentage deduction for depletion of mine, oil, and gas wells and other natural deposits and increase the percentage of Sales and Use Tax collections transferred to the Public Transportation Trust Fund.

ANALYSIS:

This bill amends Act 2 of 1971 (Tax Reform Code of 1971) to allow for a percentage deduction against the state Personal Income Tax for the depletion of a mine, oil, or gas well and other natural deposit in accordance with Sections 611-617 of the Internal Revenue Code beginning in tax year 2024. The taxpayer would need to have partial or full ownership of land on which taxable income is generated from mining, extraction, or production of oil, gas, ores, minerals, or other natural resources of a mine, oil, or gas well or other natural deposit to be eligible for the deduction. Taxpayers will not be able to take the deduction once they have recovered the original basis in the property.

In addition, the legislation would increase the percentage of Sales and Use Tax (SUT) revenue transferred to the Public Transportation Trust Fund (PTTF) from 4.4 percent to 6.15 percent. The legislation provides for a provision that states that the total financial assistance provided to each local transportation organization may exceed 20 percent of the prior year allocation and allows the Secretary of Transportation to adjust and hold harmless the amount of annual increase in local match for a period of five fiscal years beginning in 2024/25.

The increased transfer of SUT collections to the PTTF would take effect on July 1, 2024. The remainder of the legislation takes effect immediately.

FISCAL IMPACT:

Authorizing a percentage deduction of depletion of mine, oil, or gas wells and other natural deposits would impact General Fund revenues as it decreases the tax liability for taxpayers that would be eligible to take this deduction. As this deduction would be available beginning in tax year 2024, there would be no fiscal impact to 2023/24. The Department of Revenue estimates the cost to the General Fund of authorizing this deduction to be \$7.2 million in 2024/25.

In addition, increasing the percentage of SUT collections transferred to the PTTF would result in increased available funds for the PTTF and decreased available funds for the General Fund beginning in 2024/25. Based on the projected SUT revenues assumed in the 2024/25 Executive Budget, it is estimated that an additional \$282.8 million would be transferred from the General Fund to the PTTF in 2024/25 because of the increased percentage.

Factoring in the percentage deduction authorized by the legislation and the increased SUT transfer to the PTF, the combined fiscal impact to the General Fund is estimated to be \$290 million in 2024/25.

PREPARED BY: Brittany Van Strien
House Appropriations Committee (D)

DATE: March 20, 2023

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.