

DEPARTMENT OF TAXATION

2025 Fiscal Impact Statement

1. **Patron** Alfonso H. Lopez

3. **Committee** House Finance

4. **Title** Income Tax: Qualified Local Media
Advertising Tax Credit

2. **Bill Number** HB 2514

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide a nonrefundable individual and corporate income tax credit for eligible small businesses for qualified local media advertising expenses. For the first taxable year in which the credit is claimed, the credit would be equal to the lesser of 80 percent of the qualified local media advertising expenses or \$4,000. In subsequent taxable years, the credit would be equal to the lesser of 50 percent of the qualified local media advertising expenses for such taxable year or \$2,000. The credit would be subject to an annual cap of \$10 million per taxable year.

This bill would become effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.

6. **Budget amendment necessary:** Yes.

Item(s): 258 and 260, Department of Taxation

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2025-26	\$304,7550	1	GF
2026-27	\$107,200	1	GF
2027-28	\$88,800	1	GF
2028-29	\$88,800	1	GF
2029-30	\$88,800	1	GF

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") would incur estimated expenditures, as shown on Line 7a. The costs above would be incurred to hire one full-time employee and updating the Department's forms and systems to implement the new credit.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact of up to \$10 million beginning in FY 2026. It is unknown how many qualifying businesses would take this credit. However, because the credit would be capped at \$10 million annually, the annual revenue impact of this bill would not exceed that amount.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Proposal

This bill would provide a nonrefundable individual and corporate income tax credit for eligible small businesses for qualified local media advertising expenses. For the first taxable year in which the credit is claimed, the credit would be equal to the lesser of 80 percent of the qualified local media advertising expenses or \$4,000. In subsequent taxable years, the credit would be equal to the lesser of 50 percent of the qualified local media advertising expenses for such taxable year or \$2,000. The credit would be subject to an annual cap of \$10 million per taxable year.

"Eligible small business" would be defined as any business whose average number of full-time employees during such taxable year was fewer than 50 and that incurred qualified local media advertising expenses during such taxable year.

"Local radio or television station" would be defined as any broadcast radio or television station licensed by the Federal Communications Commission to serve a local community.

"Qualified local media advertising expenses" would be defined as amounts paid or incurred by an eligible small business in the ordinary course of a trade or business for advertising in a local newspaper of general circulation or in a broadcast of a local radio or television station during a taxable year.

If the applications for the credit exceed \$10 million for any taxable year, the credit would be allocated on a pro rata basis.

The amount of the credit claimed in any single taxable year would not be permitted to exceed an eligible small business's income tax liability for that taxable year. If the amount of credit exceeds the eligible small business's income tax liability for the taxable year in which the credit was earned, the amount that exceeds the tax liability would be permitted to be carried over for credit against the eligible small business's income taxes in the next five taxable years or until the total amount of the tax credit has been taken, whichever is sooner.

The Department would be required to develop guidelines implementing the credit.

This bill would become effective for taxable years beginning on and after January 1, 2025, but before January 1, 2030.

cc : Secretary of Finance

Date: 01/23/2025 JLOF
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