

Department of Finance and Administration

Legislative Impact Statement

Bill: SB80

Bill Subtitle: TO EXEMPT FROM GROSS INCOME A GAIN BY A TAXPAYER RESULTING FROM THE ACQUISITION OF PROPERTY UNDER THE RIGHT OF EMINENT DOMAIN.

Basic Change :

Sponsor: Sen. C. Penzo

SB80 creates a new exclusion from gross income when calculating net taxable income subject to state income tax. SB80 excludes income that a taxpayer receives from an entity that acquires real property from the taxpayer under eminent domain. This includes involuntary conversion of real property by a state, county, or city, as well as by municipal utilities and other companies with the power of eminent domain.

SB80 is effective for tax years beginning on or after January 1, 2023.

Revenue Impact :

FY2024 - \$2.7M General Revenue Reduction

Taxpayer Impact :

A taxpayer that has property taken due to eminent domain will not have to report gains resulting from the acquisition of property under the right of eminent domain.

Resources Required :

Computer records, tax forms, and instructions will need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Training manuals will need to be updated. Department employees will need to be educated as well as the tax community.

Other Comments :

None.

Legal Analysis :

Current state law, § 26-51-404(b), adopts 26 U.S.C. § 1033 which excludes from gross income certain gains resulting from the involuntary conversion of property. SB80 adds a blanket exclusion for gains resulting from eminent domain without limitation.