

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 244** HLS 15RS 783
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 19, 2015 5:07 PM	Author: FOIL
Dept./Agy.: Economic Development / Revenue	Analyst: Greg Albrecht
Subject: Extend Sunset of Angel Investor Tax Credit Program	

TAX CREDITS EG -\$1,000,000 GF RV See Note Page 1 of 1
 Extends the sunset of the Angel Investor Tax Credit Program

Current law provides a transferable tax credit of 35% of investments in Louisiana businesses. Both the participating investment and business must meet various conditions to generate tax credits. Credits earned are granted in equal portions for five years and must be claimed against tax liabilities which occur in the year 24-months after an investment is certified. The aggregate amount of credit that can be granted by the program each year is \$5 million, but ungranted credit amounts can be granted in subsequent years without regard to the aggregate annual cap. No credits can be granted on and after July 1, 2015.

Proposed law extends the program to July 1, 2019.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	(\$1,000,000)	(\$2,000,000)	(\$3,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

According to the Department of Economic Development, the annual amount of credits granted has risen to nearly the \$5 million level, and is assumed to be \$5 million for 2015. If the program expires in 2015, as currently scheduled in law, outstanding credits will continue to be realized against state tax liabilities through FY22, peaking in FY18 at nearly \$4 million before declining each year to zero in FY23. This pattern occurs as a result of the program requirements to grant earned credits in 20% increments, and for recipients of credits to hold them for 24-months before claiming them against tax liabilities.

This bill will extend the program to 2019, allowing additional credits to be granted and realized against state tax liabilities. Assuming \$5 million per year of aggregate additional credits are granted, spread over five successive years with a 2-year holding period, the bill will result in additional state revenue losses in FY19 of \$1 million and \$2 million in FY20 (within the fiscal note horizon). Additional costs will be incurred through FY26, peaking in FY22 & FY23 at \$4 million each year, then declining each year through FY26. Total additional revenue losses resulting from the bill's extension are \$20 million.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

John D. Carpenter
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