LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 629** HLS 15RS 1016
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ #2 SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:
REVISED

Date: June 4, 2015 2:06 PM
Author: JACKSON
Dept./Agy.: Revenue/Economic Development
Subject: Reduces credits and incentives by 20% for all claims 7/1/15
Analyst: Deborah Vivien

TAX CREDITS RE2 +$266,000,000 GF RV See Note
Reduces income and corporation franchise tax credits

Proposed law reduces certain income and franchise tax credits by 28% beginning with all forms filed on or after July 1, 2015. Proposed law also reduces certain tax incentives by 28% beginning with all claims filed on or after July 1, 2015. Extensions already filed are eliglble to receive any additional benefits that would have been available under the old law but only during the following 3 years beginning with Tax Year 2017. Major categories of tax credits include the inventory credit (excluding telecommunications property and vessels), the citizens assessment credit, and the education credit, among many others. The maximum alternative fuel credit for new vehicles is reduced by 50% to $1,500. Tax incentives in the bill are the entertainment incentives including film and digital media, enterprise zone, quality jobs, research and development, angel investor, ports of LA, export/import cargo, brownfields, technology commercialization, green jobs credit and others. Applicable to all claims for credits or transfers on or aftr July 1, 2015 regardless of the taxable year of production to which the claim or transfer relates. However, claims denied on returns filed after July 1, 2015 pursuant to an extension granted prior to July 1, 2015 can be recouped in one-third increments over three subsequent fiscal years, beginning with FY17.

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	$0	$0	$0	$0	$0	**$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.	$266,000,000	$191,000,000	$196,000,000	$202,000,000	$288,000,000	**$1,143,000,000**
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$266,000,000**	**$191,000,000**	**$196,000,000**	**$202,000,000**	**$288,000,000**	**$1,143,000,000**

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. The implementation and timing of provisions in the bill could require substantial resources given the nature of the changes.

REVENUE EXPLANATION

The bill is expected to increase SGF by about $266M in FY 16 as the numerous income and franchise tax credits as well as tax incentives are cut by 28% beginning with all claims filed on or after 7/1/15 (alternative fuel credit is cut by 50%), increasing by an estimated 2% over the fiscal note horizon. This estimate uses an expeditious method by taking 28% of the Tax Exemption Budget figures (50% for alternative fuels) for the numerous credits and incentives included in the bill. Without a high degree of confidence with regard to actual collections that may occur, this method gives the results below:

	FY16	FY17	FY18	FY19	FY20
Corporate Income Tax	$133,540,880	$136,211,698	$138,935,932	$141,714,650	$144,548,943
Individual Income Tax	23,347,360	23,814,307	24,290,593	24,776,405	25,271,933
Franchise Tax	349,720	356,714	363,849	371,126	378,548
Total Tax Credits	$157,237,960	$160,382,719	$163,590,374	$166,862,181	$170,199,425
Tax Incentives	108,432,744	110,601,399	112,813,427	115,069,696	117,371,090
Total Base Impact	$256,670,704	$270,984,119	$276,403,801	$281,931,877	$287,570,515
Recoupment Effect	0	($80,000,000)	($80,000,000)	($80,000,000)	0
Total Net Effect	$266,000,000	$190,000,000	$196,000,000	$202,000,000	$288,000,000

Allowing denied claims to be recouped over the FY17 - FY19 period reduces the revenue generated in those periods. This effect is acknowledged by applying a factor that reflects the three-year average share of total corporate income & franchise tax credits on returns received in a fiscal year attributable to tax periods earlier than the immediately preceding tax period. For corporate tax returns this factor is 90%. Thus, FY17 - FY19 are reduced by one-third of 90% of the FY16 revenue generated by the bill, or $80 million each year. By FY20 this three year recoupment is expired, and full revenue generation of the bill continues.

Senate | Dual Referral Rules | House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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