LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 178** SLS 17RS 374
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 3, 2017 9:05 AM **Author:** MORRELL
Dept./Agy.: LA Dept. of Economic Development
Subject: Sunsets Certain Credits, Exemptions, and Incentives **Analyst:** Zachary Rau

TAX/TAXATION EG INCREASE GF RV See Note

Establishes termination dates for certain tax credits and incentive programs administered by the Department of Economic Development. (gov sig)

Proposed law sunsets the granting of the following credits and incentives on July 1, 2017: corporate tax reapportionment program, the sound recording investor tax credit, the green jobs tax credit, the urban revitalization tax exemption, and the technology commercialization credit.
Proposed law sunsets the following credits and incentives on July 1, 2021: the Industrial Tax Equalization Program, exemptions for manufacturing establishments as defined by R.S. 47:4301 et seq., the research and development tax credit, the angel investor tax credit, the digital interactive media and software tax credit, the retention and modernization tax credit, and the Ports of Louisiana tax credits.
Proposed law repeals the Motion Picture Incentive Act.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	$0	INCREASE	INCREASE	INCREASE	INCREASE	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	DECREASE	**$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**

EXPENDITURE EXPLANATION

LED does not anticipate any significant expenditure reductions associated with the sunset of credits in FY 18, but reports that some savings may occur with the sunset of credits in FY 22. The savings are associated with material activity in some of the credits being sunset requiring some program administrators to remain and assist with outstanding credits and certifications. The department reports an aggregate long-term savings of $250,000 potentially beginning in FY 22 and continuing into subsequent fiscal years.

REVENUE EXPLANATION

Proposed law will increase SGF net receipts by an indeterminable amount likely beginning in FY 19, and with a phase-up in net receipts in subsequent fiscal years as current participants phase out of the programs and additional incentive programs included in the proposed legislation sunset in FY 22. The increase in net receipts is indeterminable because actual realizations of the credits are dependent on some discretion by participating individuals and firms. Additionally, the LA Dept. of Economic Development (LED) anticipates a lag of approximately one year before increases in net SGF receipts begin to materialize in FY 19 and FY 23, since the bill's sunset date terminates when benefits may be issued, not when benefits may be claimed. As a result, some credits may be claimed for some time after the sunset dates of the bill.

Because of the one-year lag from initial FY 18 sunsets, DED anticipates SGF receipts to begin increasing in FY 19, after the first set of programs terminates. For reference, the credits subject to the FY 18 sunset resulted in revenue losses of approximately $409,000 in FY 16 with a three-year average (FYs 14-16) revenue loss of approximately $397,000. As the second set of programs sunset beginning in FY 22, SGF receipts will increase again, with a delayed response until at least FY 23. Credits and incentives subject to the later sunset had a total associated revenue loss of approximately $19.1 M in FY 16 with a three-year (FYs 14-16) average revenue loss of $44.5 M. However, the three-year average revenue loss is heavily skewed upward by activity in the Industrial Tax Equalization Program ($10.4 M revenue loss in FY 14) and the Research and Development tax credit ($24.2 M loss in FY 14, $47.5 M loss in FY 15).

Additionally, repeal of the Motion Picture Incentive Act will likely not affect net SGF receipts, as the FY 17 Tax Exemption Budget anticipates no activity associated with the act beyond FY 16, which ceased certifying credits and exemptions after December 31, 2005.

LED also anticipates an SGR loss of approximately $57,100 in FY 22 as a result of no longer receiving application fees for these programs, though the actual loss of application fees is indeterminable because future applications for these programs is uncertain.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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