LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 243** SLS 17RS 682
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 6, 2017 5:30 PM **Author:** PEACOCK
Dept./Agy.: REVENUE
Subject: Income Tax Credit: Vehicle Conversion to Alternative Fuel **Analyst:** Benjamin Vincent

TAX CREDIT/INCOME EN INCREASE GF RV See Note

Makes the credit for purchases of qualified clean-burning motor fuel property after January 1, 2017 non-refundable, reduces the credit, and adds certain restrictions and limitations to the credit.

Current law provides a refundable credit of 36% against personal or corporate income tax for the purchase of certain qualified clean-burning motor vehicle fuel property until July 1, 2018, at which time the credit increases to 50%. It also provides for a credit of 7.2% or $1,500 (whichever is less) against the price of a new vehicle that is already equipped with the qualified clean-burning motor fuel property until July 1, 2018, at which time the credit will increase to 10% or $3,000.
Proposed law specifies that credits for purchases made after January 1, 2018 are not refundable, and must be filed against the taxing period in which the purchase was made. It reduces the credit for conversion or fueling equipment to 30%, retains the 7.2% or $1,500 new vehicle credit, and repeals the 36% credit on equipment directly related to the alternative fuel. It alters the definition of "cost of qualified clean-burning motor vehicle fuel property" to include the full vehicle price, and to exclude fueling station infrastructure that is not directly related to fueling the particular vehicle. It also requires eligible commercial vehicles to be registered and used in Louisiana for four years following conversion. (Governor's signature)

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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law will reduce the size of the credit on conversion and fueling equipment from 36% to 30% in FY18, and from 50% to 30% in FY19-FY22. The effect of this provision will be to increase revenue in all years. However, LA Dept. of Revenue (LDR) does not have readily-available data on these specific transactions under the credit, so an estimate of the impact of this provision is not feasible.

Proposed law eliminates the option to claim credit for 36% of the price of alternative fuel equipment on new purchases, and retains the 7.2% or $1,500 credit against the price of the entire new vehicle. Assuming that in some cases, 36% of the equipment price was a greater amount than 7.2% of the vehicle price, revenue will increase in all years due to this provision.

Proposed law specifies that credits are non-refundable for purchases on or after January 1, 2018. To the extent that some taxpayers eligible for the credit had insufficient liability to exhaust all the credit available to them, this provision will increase revenues by an unknown amount in all years.

Although LDR is not able to isolate the amount of credits that will be affected by any specific provision of proposed law, a projection of implied total purchases eligible for the credit is available, and provides an upper bound for the amount of annual revenue gain due to proposed law. LDR projects that $3.6M in revenues will be foregone in FY18, and $4.1M in FY19-FY22, due to current law. In a scenario where all credits under this program are for 36% of equipment purchases, a reduction of the credit to 30% would increase revenues by $0.6M in FY18, and by $1.6M in FY19-FY22, relative to current law.

Senate Dual Referral Rules
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

House
☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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