LEGISLATIVE FISCAL OFFICE

Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 110** HLS 09RS 150

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 12, 2009 1:55 PM

Author: SMITH, JANE

Dept./Agy.: Revenue

Subject: Increases and makes refundable the alternative fuel credit

Analyst: Deborah Vivien

TAX CREDITS RE -$164,000 GF RV See Note

Provides relative to tax credits for the cost of qualified clean-burning motor vehicle fuel property

Current law provides a nonrefundable income tax credit of 20% of the investment in a qualified clean-burning motor vehicle fuel property. For purchases of hybrid vehicles, the taxpayer can elect to take a credit of the lesser of 2% of the vehicle cost or $1,500. The credit is also applicable to the cost of delivery of alternative fuel including compression equipment, storage tanks and dispensing units. This credit may be carried forward against subsequent state income tax liability for up to three years. If this credit is claimed, the taxpayer is prohibited from also claiming a Qualifying Jobs credit (a payroll subsidy program). Proposed law increases the credit to 50% of the investment in a qualified clean-burning motor vehicle fuel property and makes the credit refundable. For purchases of hybrid vehicles, the taxpayer can elect to take a credit of the lesser of 10% of the vehicle cost or $3,000. The credit is also increased to 50% of the cost of delivery of alternative fuel including compression equipment, storage tanks and dispensing units but does not include costs associated with the severance of natural resources. The bill also repeals the prohibition of claiming a Quality Jobs benefit simultaneously. 1/1/09

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	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	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	($164,000)	($172,000)	($181,000)	($190,000)	($200,000)	**($907,000)**
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	**($164,000)**	**($172,000)**	**($181,000)**	**($190,000)**	**($200,000)**	**($907,000)**

EXPENDITURE EXPLANATION

The Department of Revenue reports the potential cost of making changes to the tax processing system to incorporate the changes to this credit, including programming time and form modification, to be a one-time cost of some $34,000. There may also be ongoing costs associated with taxpayer inquiries and disputes involving the changes to this credit.

REVENUE EXPLANATION

Tax year 2007 data indicates that 32 individuals and 3 corporations claimed the credit for a total of $109,216. Returns from tax year 2008 are currently being processed but year-to-date claims are $58,730. Credits associated with fueling stations are included in collections and appear to total about $13,000. It is unclear whether additional claims can be made in subsequent years from these same investments since the credits can be carried forward for three years. Assuming that tax year 2007 implies a typical pattern, increasing the credit from 20% to 50% or an increase of 1.5 times the current rate, credits would have been issued for $109,216 * 1.5 or $163,824, assuming available liabilities and investments that increased proportionally. For vehicles purchased with alternative fuel capabilities, raising the investment estimate cap from the lesser of 2% of the vehicle cost or $1,500 to the lesser of 10% of the vehicle cost or $3,000 is expected to be captured within the rate increase calculation.

By making the credit refundable, this legislation removes the constraint that the credit be tied to state income tax liability, which could increase claims of the credit. The impact to the state fisc will be immediate and no longer spread over three years. Given the current climate of expanded federal incentives to switch to alternative fuels and the growing availability of choices among vehicles, this credit could grow quicker than the figures shown. In addition, the bill would pay for 50% of the costs of fueling/dispensing equipment. If gas stations add this equipment or firms operating vehicle fleets add this equipment, the costs of this credit could increase substantially more than implied by the discussion above and the figures in the table above. The annual growth rate beyond FY 09/10 is five percent.

This bill also repeals the statute that prohibits simultaneous use of Quality Jobs credits, which may increase state liabilities slightly, depending on the extent to which the prohibition was binding.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $500,000 Annual Fiscal Cost
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change

House

- [ ] 6.8(F) >= $500,000 Annual Fiscal Cost
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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