



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 500** SLS 10RS 855
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ HSE COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 16, 2010 10:54 AM	Author: MARIONNEAUX
Dept./Agy.: Economic Development / Revenue	Analyst: Greg Albrecht
Subject: Continue Angel Investor Benefits With Tax Rebates	

TAX/TAXATION RE1 DECREASE GF RV See Note Page 1 of 1

Authorizes the Department of Economic Development to grant up to \$5 million of rebates per calendar year at the rate of 35% of an investor's investment in "Louisiana Entrepreneurial Business," not to exceed \$1 million per year per business and Current law offered benefits to investors in qualifying entrepreneurial businesses. Various conditions had to be met by the investor/investment and the participating business. Investor benefits were received through refundable tax credits of 50% of the investment, disbursed evenly over five years. Total benefits granted each year could not exceed \$5 million per year. No benefits could be granted after December 31, 2009.

Proposed law permanently continues the program with investor benefits received through rebate payments of 30% of the investment, disbursed evenly over three years. Total benefits granted each year are capped at \$5 million per year, with the rebate for the first year payable 24-months from the date investments are certified, and rebates for subsequent year's payable annually. Benefits shall be allowed for investments made after January 1, 2010, with no program expiration date provided. The Department of Revenue is to pay rebates from the current receipts of taxes collected by the Department. Effective upon governor's signature.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	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	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	DECREASE	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

The Department of Economic Development indicated the need for an additional staff person and support expenses, totaling some \$80,000 per year. However, the tax credit version of the program has been administered by the department since 2005, and new participation in the program was only prohibited as of December 31, 2009. It seems unnecessary to provide additional administrative resources for what is essentially the continuation of an existing program.

REVENUE EXPLANATION

Based on experience with the program over the 2005 - 2009 period, it seems reasonable to expect participation in the 30% rebate version of the program in this bill to meet or exceed participation in the 50% tax credit version of the program (the previous version was oversubscribed to point that the effective tax credit benefit rate was 32% in 2008 and 27% in 2009 rather than 50%). Thus, with the 30% rebate version in this bill limited to \$5 million of total annual benefits granted and each year's benefit grants disbursed evenly over three years beginning in 24-months, a simple picture of state revenue exposure could be considered: FY13 \$1.7 million, FY14 \$3.3 million, FY15 \$5 million, and then each subsequent year's exposure stabilizes at \$5 million per year (there is no expiration of this version of the program).

The bill requires the Department of Revenue to pay rebate benefits from the current tax receipts collected by the Department. Thus, the state's revenue loss exposure will be realized as a reduction to state general fund revenue collections.

It should be noted that annual realizations of benefits can lag behind annual benefit exposure levels, so that actual revenue losses in any particular year can be less than the potential revenue loss (for the first four years of the program cumulative realizations have been 53% of cumulative benefit exposure). However, lagging realizations may be more likely when benefits are provided through tax credits since benefits are received only when tax returns are filed. With benefits provided through a rebate program, benefit realizations would presumably occur as participation paperwork is continually processed. This may work to more closely align annual benefit realizations (state revenue losses) with annual benefit exposure. The uncertainty of the magnitude of actual realizations in any particular fiscal year results in the qualitative decrease statements in the table above.

Senate Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$100,000 Annual SGF Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk
Legislative Fiscal Officer