

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 211** SLS 13RS 287

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 23, 2013 9:24 AM	Author: LONG
Dept./Agy.: Revenue/Agriculture/Wildlife and Fisheries	Analyst: Deborah Vivien
Subject: Credit for transfer of ag or fisheries property	

TAX/TAXATION EG -\$400,000 GF RV See Note Page 1 of 2
Provides income tax credits under the Beginning Farmer and Fisherman Income Tax Credit Program. (gov sig)

Proposed law provides a non-refundable income tax credit (carried forward up to 5 years), to sellers or lessors of capital agricultural assets and fishing vessels if transferred from an established LA farmer, livestock producer or fisherman to a beginning LA farmer, livestock producer or fisherman, as defined in the bill. Transactions between family members are eligible with some qualifications.

The purchase credit is valued up to 5% of the cash price available to the seller up to \$10,000 and may be earned once per lifetime. The lease credit is up to 10% of the value of the annual lease price or value of the share agreement for the lessor and the lessee up to \$1,000 each per tax year and may be earned for 5 years. The credit is issued on a first come-first served basis. The total annual credit cost to the state is capped at \$400,000. The credit terminates on December 31, 2018, though carry forward provisions would remain in effect.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)	(\$2,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)	(\$400,000)	(\$2,000,000)

EXPENDITURE EXPLANATION

As outlined in the revenue section, this bill would require certification and valuation of at least 40 cases per year (assuming per case maximums) and possibly more, including information related to both parties to the transaction. The certification process is anticipated to include the Departments of Revenue, Wildlife and Fisheries (WLF) and Agriculture (LDAF). Due to the technical nature of the eligibility requirements, significant additional administrative costs are anticipated for this bill.

The Department of Revenue indicates a minimal cost associated with system configuration and development and printing of forms due to this credit. LDR must also promulgate rules governing the credit. These expenses will have to be absorbed in the existing LDR budget unless incremental resources are provided. The Department of Agriculture is tasked with certifying eligibility of applicants and establishing fair market value for household assets related to eligibility and the assets in the transaction for farmers and livestock producers. The Department of Wildlife and Fisheries will certify the applicants. Assets related to fishermen will establish fair market value through an independent appraiser, presumably paid by the applicant, though not specified in the bill. LDAF indicates that this will require additional specialized personnel, possibly a CPA and/or auditor, training, supplies and travel. WLF may also require additional personnel and/or resources to fulfill its duties. With the number of anticipated applicants and the technical and financial requirements of qualification, the LFO believes additional personnel will be required to properly administer this credit.

REVENUE EXPLANATION

Proposed law provides a non-refundable income tax credit (carried forward up to 5 years), to sellers or lessees and lessors of farm and fishing assets, including agricultural land (in excess of 10 acres), livestock, farming or livestock production facilities, buildings, machinery, purchased by beginning farmers and fishermen (fishing assets appear to be only commercial fishing vessels). The credit is for up to 5% of the cash price for sellers, with a lifetime maximum of \$10,000 and up to 10% of the value of the share agreement for the lessor and lessee up to \$5,000 limited to \$1,000 per year for five years (a lifetime maximum). The fiscal note presumes the maximum rate is applied since there are no provision in the bill for lowering it. The total program value of the credit is capped at \$400,000 annually. Assuming a per transaction cap of \$10,000 allows for 40 cases requiring certification of both parties net worth, job performance and asset value. The credit and any earned carryforwards terminate on December 31, 2018.

Given the vague definitions of the eligible assets and transactions and the eligibility of transactions between relatives with no explicit requirement for cash to change hands, it is possible that this credit will reach the cap each year of its existence. No credits will be granted after December 31, 2018, though the carryforward remains.

Eligibility requirements are summarized on the following page.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input checked="" type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

	Beginning Farmer	Beginning Fisherman	Established Farmer	Established Fisherman
LA Resident	Yes	Yes	Yes	Yes
LA Business	Yes	Yes	No	Yes
Day to day industry participation requirement	less than 5 years total and currently	licensed; less than 5 total years and currently	at least 10 years	10 yr. license, owns a LA registered
commercial fishing vessel				
Means Test	Household net worth less than \$30,000 (also listed as \$400,000)	Household net worth less than \$30,000	at least 50% of gross income from agriculture	at least 50% of gross income from fishing
Demonstrated Industry Knowledge and Expertise	Yes	Yes	No	No

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