



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 218** HLS 15RS 758
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 5, 2015 8:58 PM	Author: BROADWATER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Net Operating Loss Deduction	

TAX/CORP INCOME EGF +\$29,000,000 GF RV See Note Page 1 of 1
 Provides with respect to the net operating loss deduction for purposes of the corporate income tax

Current law allows corporations to deduct from their Louisiana net income in a particular year operating losses they incurred in other years. Losses incurred in a year can be carried forward for fifteen years and deducted from positive net income in any of those years, reducing tax liabilities in those years, or carried back for three years to amend returns from a prior year to deduct from earlier positive net income, generating refunds of earlier taxes paid.

Proposed law eliminates the carry-back option and adds five additional years to the carry-forward option.

Applicable to all claims for this deduction on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates. Not applicable to amended returns timely filed after July 1, 2015, relating to original returns filed prior to July 1, 2015 and properly claimed an exemption, credit, rebate, or deduction.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$29,000,000	\$29,000,000	\$29,000,000	\$29,000,000	\$29,000,000	\$145,000,000
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>	\$0
Annual Total	\$29,000,000	\$29,000,000	\$29,000,000	\$29,000,000	\$29,000,000	\$145,000,000

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes such as this (\$39,000 estimated by LDR) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

The bill eliminates the carry-back of net operating losses (NOL) in corporate income taxation. This will eliminate refunds to firms who amend prior tax returns to apply current losses, and result in greater net corporate tax receipts than would be the case under current law. To assess the potential revenue gain the Revenue Department (LDR) selected corporate tax returns processed during several past fiscal years that had carry-back amounts deducted, and recalculated those returns without the carry-back deductions. The average revenue effect was \$28.8 million.

The effect on net state revenue receipts, starting in FY16, occurs as a result of the applicability of the bill's provisions to all claims on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates. The addition of five more years of time allowed for use of NOLs against future net income is not likely to materially affect the state's existing exposure from NOL carry-fowards, which are already allowed to be carried forward for fifteen years.

Amended returns, timely filed after July 1, 2015 relating to original returns filed prior to July 1, 2015 that properly claimed an exemption, credit, rebate, or deduction are not likely to effect the potential revenue generated by the bill. The original returns would have already received the benefit of any exemptions, credits, rebates, or deductions. Presumably, the amended filing would be for reasons unrelated to the properly claimed and received benefits.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" 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} |

John D. Carpenter
Legislative Fiscal Officer