LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 637** HLS 17RS 1319
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 9, 2017 4:47 PM
Author: HARRIS, L.
Dept./Agy.: Revenue
Subject: Repeal Citizens Assessment Tax Credit
Analyst: Greg Albrecht

TAX CREDITS EG +$11,250,000 GF RV See Note
Repeals the La. Citizens Property Insurance Corporation assessment income tax credit

Present law allows a refundable tax credit against income tax for the amount of assessments paid by taxpayers as a result of assessments levied on insurance policies due to Hurricanes Katrina and Rita associated with the Louisiana Citizens Property Insurance Corporation FAIR Plan and Coastal Plan. The credit is 25% of the assessment paid.

Proposed law repeals the credit in its entirely, effective for all tax periods beginning on and after January 1, 2018.

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.	$0	$9,000,000	$11,250,000	$11,250,000	$11,250,000	**$42,750,000**
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	**$0**	**$9,000,000**	**$11,250,000**	**$11,250,000**	**$11,250,000**	**$42,750,000**

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

Claims for this credit were fairly stable around $45 million per fiscal year prior to the imposition of a temporary reduction to 72% (Act 125 of 2015 RS) and then the permanent reduction to 25% in current law (Act 9 of 2016 ES2). The credit will be worth about $11.250 million per year under current law. This bill will eliminate the credit entirely beginning with the 2018 tax year. Thus, the first effect on revenue would be FY19 when 2018 tax returns are filed in the spring of 2019.

The Department of Revenue indicates that in any given fiscal year, approximately 20% of the credit cost is associated with the immediately preceding calendar year (tax year). Thus, given the 2018 tax year beginning effectiveness of this bill, the first fiscal year affected, FY19, results in only 80% of the full annual fiscal year potential gain relative to the 25% credit allowed in current law, or $9 million. In FY20 and beyond , a full annual effect occurs of $11.250 million relative to the 25% credit allowed in current law.

Senate Dual Referral Rules
- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 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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