Louisiana Legislative Fiscal Office

Fiscal Notes

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 383** HLS 25RS 909

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 27, 2025 5:45 PM

Author: BRASS

Dept./Agy.: Department of Revenue

Subject: Postpones Termination of Inventory Tax Credit for C-Corps

Analyst: Deborah Vivien

TAX CREDITS OR -$372,000,000 SD RV See Note

Postpones the termination of a tax credit for C-corporations for local inventory taxes paid but reduces the amount of the credit for those taxpayers

Current law authorizes a state income tax credit for 100% of local ad valorem taxes paid on inventory (including natural gas storage) up to $750,000 annually with partial refundability for those filing against personal income tax (PIT). The inventory tax credit is not refundable for C-Corps but can be carried forward if not expired before 1/1/25 for an additional 5 years (base is 10 years).

Proposed law retains current law and extends the deadline for the 100% elimination of C-Corp inventory tax credits by 10 years for corporate fiscal years beginning on or after July 1, 2036, then phases out the inventory tax credit for C-Corps for corporate fiscal years beginning in tax years 2029-30 by 20%, tax years 2031-32 by 40%, tax years 2033-34 by 60% and tax years 2035-36 by 80%. Proposed law retains the nonrefundability deadline for C-Corp inventory tax credits of January 1, 2025, and access to an additional 5-year carryforward period for credits expiring before January 1, 2025.

EXPENDITURES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**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	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	**($112,000,000)**	**($372,000,000)**	**($377,600,000)**	**($325,600,000)**	**($1,187,200,000)**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

EXPENDITURE EXPLANATION

LDR may incur expenses of $25,200 related to administrative requirements. LFO believes that the department can absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The bill effectively re-insitutues full-year reductions in revenue of the inventory tax credit until tax year 2029, in which a phaseout would begin that would cut the impact by 20% for tax years 2029 and 2030, with tiered reductions continuing until the phase-out is complete with tax year 2036. The bill will reduce statutory dedication revenue (or SGF revenue for year in which corporate income tax (CIT) collections fall below $600M annually) as any additional CIT collections will accrue to the Revenue Stabilization Trust Fund. The timing of these impacts may be mitigated by income tax liabilities as the credits will no longer be refundable as well as carryforwards that may extend an additional 5 years.

According to LDR data, the inventory tax credits taken against corporate income tax on 2022 returns was valued at roughly $200 M annually, and assuming a similar amount was taken against corporate franchise tax that will now be taken against corporate income tax, provides the basis for the approximate $400 M annual magnitude of the impact in the note. LFO assumes a filing pattern of 28% in year 1, 65% in year 2 and 7% in year 3 for corporate filings, which provides a cascading impact across fiscal years. Applying reductions of $400 M in each of Tax Years 2026 and 2027 as the inventory tax credit is fully reinstated and $320 M in tax years 2028 and 2029 as the 20% phase-out schedule from the bill is applied provides the estimates for the decrease in statutory dedication revenue within the fiscal note horizon. Effects that are smaller as the incremental phase-out continues through tax year 2036 are estimated to continue through FY 38.

TAX YEAR	**FY27**	**FY28**	**FY29**	**FY30**
2026	($112,000,000)	($260,000,000)	($28,000,000)	
2027		($112,000,000)	($260,000,000)	($28,000,000)
2028			($89,600,000)	($208,000,000)
2029				($89,600,000)
TOTAL	**($112,000,000)**	**($372,000,000)**	**($377,600,000)**	**($325,600,000)**

Effects are expected to continue through FY 38

Senate Dual Referral Rules

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}

☒ 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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