LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 383** HLS 25RS 909
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 14, 2025 9:58 AM
Author: BRASS
Dept./Agy.: Department of Revenue
Subject: Postpones Termination of Inventory Tax Credit for C-Corps
Analyst: Deborah Vivien

TAX CREDITS EG -$158,000,000 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). Inventory tax credits taken against corporate income tax by C-Corps are eliminated on July 1, 2026. 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 2 years to July 1, 2028, then phases out the inventory tax credit for C-Corps by 50% in tax year 2026 and by 75% in tax year 2027 with full elimination in tax year 2028 and beyond. 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	**($56,000,000)**	**($158,000,000)**	**($79,000,000)**	**($7,000,000)**	**($300,000,000)**
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. There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill effectively re-insitutues half of the C-corp inventory tax credit in FY 27 ($200 M) and one quarter of the C-Corp inventory tax credit ($100 M) in FY 28 with full elimination in FY 29, equivalent with current law.

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 base 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 50% or $200 M in tax year 2026 (FY 27) and 25% or $100 M in tax year 2027 (FY 28) with no impact in FY 29 and beyond as the credit is eliminated results in the following impact:

TAX YEAR	**FY27**	**FY28**	**FY29**	**FY30**	**TOTAL**
2026	($56,000,000)	($130,000,000)	($14,000,000)		($200,000,000)
2027		($28,000,000)	($65,000,000)	($7,000,000)	($100,000,000)
TOTAL	**($56,000,000)**	**($158,000,000)**	**($79,000,000)**	**($7,000,000)**	**($300,000,000)**

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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