

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 6** HLS 051ES 181
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

| | |
|---|------------------------------|
| Date: November 9, 2005 3:51 PM | Author: PINAC |
| Dept./Agy.: Office of Financial Institutions | Analyst: Charley Rome |
| Subject: Extends time limits for certain CAPCO investments | |

ECONOMIC DEVELOPMENT OR SEE FISC NOTE SD RV Page 1 of 1

ECONOMIC DEVELOPMENT: Extends time limit for certain investment deadlines under the CAPCO program due to the impact of Hurricanes Katrina and Rita.

Proposed law provides that considering the adverse impact of Hurricanes Katrina and Rita, all deadlines for CAPCO investment required by present law which would have fallen between August 25, 2005, and December 30, 2005, shall be extended to December 31, 2005.

| EXPENDITURES | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| 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> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2005-06</u> | <u>2006-07</u> | <u>2007-08</u> | <u>2008-09</u> | <u>2009-10</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | SEE BELOW | |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Passage of this bill will provide for a short extension of certain investment deadlines for certified Louisiana capital companies (CAPCOs) under the CAPCO program due to the impact of Hurricanes Katrina and Rita. The Office of Financial Institutions currently performs the regulatory and examination functions of the program and does not foresee any impact on expenditures.

REVENUE EXPLANATION

The proposed legislation might result in decreased revenues to the state. Failure of certified Louisiana capital companies to meet deadlines specified under current law might result in "involuntary decertification" of such companies. Involuntary decertification would subject affected companies to recapture and/or forfeiture of previously issued tax credits (LRS 51:1926). Refunded tax credits of involuntarily decertified companies would be remitted to the Louisiana Department of Insurance or Louisiana Department of Revenue. Extending these deadlines might allow some companies to maintain certification. Revenues to the state would decline to the extent that the proposed legislation allows such companies to maintain certification and are not required to refund tax credits to the state. Information as to which companies might not meet the current law's deadlines under LRS 51:1926 and might be subject to decertification is not readily available.

Companies failing to meet "accelerated" investment requirements under LRS 51:1927.1 might be subject to penalties associated with failure to reach these investment goals. Such companies would be required to remit a portion of future equity distributions to Louisiana Economic Development Fund based on the investment pool's internal rate of return. Information as to which companies might not meet the current deadlines and might be subject to penalties under LRS 51:1927.1 is not readily available. Furthermore, there is no way to estimate the state's portion of future equity distributions from companies subject to such penalties.

It seems unlikely, though, that the brief extension provided by this bill would materially impact any revenue that might have been received by the state under the deadlines of current law.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist