LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 484** HLS 15RS 665
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:
REVISED

Date: May 1, 2015 12:47 PM
Author: MORRIS, JAY
Dept./Agy.: Revenue
Subject: Cut Inventory Tax Credit
Analyst: Greg Albrecht

TAX CREDITS OR +$6,000,000 GF RV See Note

Reduces the amount of the tax credit for ad valorem taxes paid on inventory

Current law provides a refundable tax credit against state income and franchise tax of 100% of the ad valorem tax paid to local governments on inventory property.

Proposed law reduces the credit to 90% of the ad valorem tax paid on or after January 1, 2016.

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	$0	$0	$0	$0	$0	**$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.	$0	$6,000,000	$50,000,000	$56,000,000	$59,000,000	**$171,000,000**
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$6,000,000**	**$50,000,000**	**$56,000,000**	**$59,000,000**	**$171,000,000**

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 (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

The Louisiana Department of Revenue (LDR) reports that for FY14 credits taken for inventory taxes paid were $452.7 million. Inventory valuations and credits have exhibited strong and persistent growth, averaging at least 6.5% per year. Thus, the total amount of tax credit expected to be taken in future fiscal years is estimated at $482 million in FY15, $513 million FY16, $547 million FY17, $582 million FY18, $620 million FY19, and $661 million FY20.

Based on the distribution of tax period returns within fiscal year results for this credit, only about 11% of each fiscal year's credits are attributable to the immediately preceding tax year (when the ad valorem taxes were largely paid), and 84% is attributable to the second preceding tax year. That 11%/84% pattern is applied to the fiscal year credit projections above, and then the credit reduction of 10% is applied to each of those results to arrive at a rough estimate of the net state tax receipt gain for each fiscal year, starting with FY17. For simplicity the 5% balance share is omitted in these calculations, meaning that the ramp up in net state receipt gains continues for some fiscal years beyond what is depicted here. Thus, for FY17 the gain is about $6 million (11% of $547 million multiplied by the 10% credit reduction). For FY18 the gain is about $50 million (11% of $582 million multiplied by the 10% credit reduction + 84% of $547 million multiplied by the 10% credit reduction). For FY19 the gain is about $56 million (11% of $620 million multiplied by the 10% credit reduction + 84% of $582 million multiplied by the 10% credit reduction). For FY20 the gain is about $59 million (11% of $661 million multiplied by the 10% credit reduction + 84% of $620 million multiplied by the 10% credit reduction).

Senate Dual Referral Rules House

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

☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter

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Legislative Fiscal Officer