LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 724** HLS 15RS 1264
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 4, 2015 5:41 PM
Author: HUNTER
Dept./Agy.: Revenue
Subject: Reduces Selected Tax Credits
Analyst: Greg Albrecht

TAX CREDITS OR +$1,250,000 GF RV See Note
Reduces certain income and corporation franchise tax credits

Proposed law reduces a variety of tax credits by 20% each. The affected credits are for: Atchafalaya Trace Heritage Area businesses, new jobs creation, neighborhood assistance, equipment donations to public schools, insurance company offset of premium tax, utility company mandated refunds, clean burning motor vehicle property, port investor and cargo credits, and certified green projects. These credits are taken against the personal and corporate income tax and the franchise tax.

The bill is effective July 1, 2015.

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	$1,250,000	$2,500,000	$3,750,000	$5,000,000	**$12,500,000**
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**	**$1,250,000**	**$2,500,000**	**$3,750,000**	**$5,000,000**	**$12,500,000**

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 (typically a few thousand dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. However, this bill changes a variety of credits, and system modification costs will be consequently greater.

REVENUE EXPLANATION

Based on recent claims reported in the Department of Revenue FY14 Tax Exemption Budget (TEB), a 20% reduction in the credits modified by this bill amounts to approximately $5 million currently. A number of the affected credits have very small or no recent claims, with the bulk of the estimate associated with the insurance company offset of premium tax.

The bill is effective July 1, 2015 and does not specify tax years of applicability. The fiscal note assumes that all tax periods starting on or after July 1, 2015 will be affected. Since the fiscal year values reflected in the TEB are the result of numerous tax period returns received in a fiscal year, the first year effect of this bill is likely to be relatively small because it is typical for only a small portion of the returns received in any fiscal year, specially involving business income and credits, to be attributable to the immediately preceding tax year. The second fiscal year effect is larger because two preceding tax years of returns will have been affected by the bill's credit reduction. The fiscal year effect ramps over time as more and more of the returns received in a fiscal year are from tax periods affected by the credit reduction.

Pending analysis by the Department of Revenue detailing the distribution of tax year returns in fiscal year filings for each of the business credits affected by the bill, the fiscal note assumes an even four year ramp up of effect of those credits. Assuming that the first tax years affected are those beginning on or after July 1, 2015, the effects in FY17 and beyond reflect the assumed ramp up of the balance of the bill.

Senate | Dual Referral Rules | House

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

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