

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 23** HLS 161ES 56
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 7, 2016 10:40 AM	Author: JACKSON
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Makes Act 123 of 2015 Permanent	

TAX/CORP INCOME RE SEE FISC NOTE GF RV Page 1 of 1
 Repeals three-year sunset of certain reductions to corporate income tax deductions, exemptions, and exclusions (Item #12)

Current law reduced various exclusions and deductions by 28%. The affected exclusions and deductions are: public transportation corporations, oil and gas well allowance for depletion, net operating losses, corporate income tax refunds, dividends from banking corporations, certain expenses disallowed for federal taxation, dividend income, and hurricane recovery benefits. The tax-exempt period for La Community Development Financial Institutions is shortened from five years to four years. Applicable to all claims for these exclusions and deductions made on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates. However, exclusions or deductions denied on returns filed after July 1, 2015 pursuant to an extension granted prior to July 1, 2015 can be included in one-third increments on returns filed for taxable years beginning in calendar year 2017, 2018, and 2019. Not applicable to amended returns timely filed after July 1, 2015, relating to original returns filed prior to July 1, 2015 and properly claimed an exemption, credit, rebate, or deduction. Expires 7/1/2018.

Proposed law extends the changes of Act 123 of 2015 for as long as HB 62 of this session remains in effect. HB 62 broadens the state sales tax base and increases the state tax rate. HB 62 is currently in conference committee with a term to April 1, 2021.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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>	\$0
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The need and timing for the department to change forms and processing for the 2015 Act will depend on the disposition of HB 62. These costs are typically absorbed within the departmental budget, with an assessment of future resource needs that incorporates all session changes to tax law.

REVENUE EXPLANATION

Act 123 of 2015 currently expires on July 1, 2018, with net state revenue gains currently anticipated through FY18 before recoupment provisions and termination of the Act result in net revenue losses in FY19 and FY20. Then the revenue baseline returns to its pre-Act 123 path. Should HB 62 fail to be enacted, Act 123 would apply for its currently enacted term, with currently anticipated net state revenue gains.

To the extent HB 62 of the 2016 session remains in effect, the termination provisions of Act 123 are inapplicable and net state revenue gains beyond FY18 may occur (HB 62 is currently in conference committee with an effectiveness to April 1, 2021).

However, should HB 62 be enacted with an effective term even shorter than currently anticipated for Act 123, then the currently anticipated net revenue gains from Act 123 would be curtailed.

Estimated net revenue gains associated with Act 123 were in the range of \$122 million per year, exclusive of recoupment provisions and termination.

Senate Dual Referral Rules House

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

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

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

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

John D. Carpenter
Legislative Fiscal Officer