LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 79** SLS 17RS 102
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 3, 2017 12:25 PM
Author: LUNEAU
Dept./Agy.: Revenue
Subject: Repeal Tax Credit Reduction Sunset
Analyst: Greg Albrecht

TAX/TAXATION EG +$12,500,000 GF RV See Note

Removes the June 30, 2018, sunset provision and makes permanent reductions to certain income and corporation franchise tax credits. (gov sig)

Present law reduces numerous credits to the income and franchise taxes through June 30, 2018 by 28% (Act 125 of 2015 as amended by Act 29 of 2016 ES1). After which the credits return to their full 100% value.

Proposed law repeals the June 30, 2018 termination of the credit reductions on Act 125, making the reductions permanent, except for the offset against corporate income tax for premium tax remitted by insurance companies, which is allowed to return to 100% of value.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	$0	$12,500,000	$12,500,000	$12,500,000	$12,500,000	**$50,000,000**
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**	**$12,500,000**	**$12,500,000**	**$12,500,000**	**$12,500,000**	**$50,000,000**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The credit reductions of Act 125 were expected to generate from $31.5 million to $27.6 million per year over FY16 to FY18 before expiring in FY19 and beyond. This expectation was based on actual credit claims over a number of years prior to the effectiveness of the Act. The applicability of the Act to returns filed on or after July 1, 2015 rather than filed for particular tax years, as well as the temporary life of the Act likely distorted the behavior of taxpayers and has made income and franchise tax collections more uncertain, especially with regard to tax credits.

The Dept of Revenue (LDR) estimated the revenue effect of continuing the credits addressed by the original version of this bill as a net revenue gain of some $21.5 million. Allowing the credit that insurance companies can take against their corporate income tax liabilities for the premium taxes they remit (removing that credit from the bill's credit reduction continuation) reduces the estimated net revenue gain by some $9 million. Thus, this version of the bill is estimated to result in a net revenue gain of some $12.5 million. However, upon further evaluation, it is likely that some amount of net receipts associated with the premium tax credit should not have been included in the estimated effect of the bill originally, since as a group insurance companies tend to have substantially more premium tax credit available to them than they do corporate income tax liability, even after accounting for the 28% reduction in credit allowance imposed in Act 125. First effects of this bill would be realized in FY19.

Not included in these estimates are the potential effects of changes to the priority of credits made in Act 23 of 2016 ES1, and the 3-year recoupment provisions of credits lost to taxpayers from 2014 tax year returns filed under extension in 2015.

While permanent continuation of credit reductions will work to ultimately increase net tax receipts, the timing and magnitude of that effect is more uncertain than before Act 125 was enacted. Actual revenue gains may take some time to normalize as taxpayers incorporate the likely permanence of the credit reductions, and will likely differ from those estimated above.

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}

Evan Brasseaux

Evan Brasseaux
Staff Director