

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 452** HLS 23RS 767

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

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Dept./Agy.: LA Housing Corporation/ Revenue/ Insurance		Analyst: Benjamin Vincent
Subject: Low Income Housing Tax Credit		

TAX CREDITS EG +\$5,000,000 GF EX See Note Page 1 of 1
Establishes a tax credit for the development of certain affordable housing projects

Proposed law allows a transferable credit against individual or corporation income tax, franchise tax, or insurance premium tax liability for eligible expenditures under the federal Low Income Housing Tax Credit (LIHTC) program. Proposed law specifies that the credit shall be equal to the federal credit awarded. Additionally, proposed law specifies that the total credits awarded in any fiscal year shall not exceed \$5 million, and that no credits shall be awarded after June 30, 2026. A five-year carryforward is authorized in the event a taxpayer has insufficient liability to exhaust the credit.

The bill additionally specifies that the credit is subject to appropriation, although the method of administrating such a requirement is unclear.

Effective July 1, 2023, and applicable to tax years beginning on or after January 1, 2024.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$5,000,000	\$5,000,000	\$5,000,000	\$0	\$0	\$15,000,000
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	SEE BELOW	SEE BELOW	(\$15,000,000)
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

Requires the Louisiana Housing Corporation (LHC) to award credits via an application process, and authorizes a credit processing fee. Directs LHC to notify the Secretary of Revenue (LDR) and Commissioner of Insurance (DOI), certifying the award amount. A small number of applicants are anticipated given the \$5 million cap, resulting in estimated annual LHC costs of \$15,000.

LFO and LDR note that subjecting a credit to appropriation is an unusual concept for which no known process exists. Credits typically reduce revenue collections prior to net receipts reporting. Complying with the apparent intent appears to require an explicit appropriation of the total revenue impact contemplated by year, upon bill effectiveness. This is reflected in the table above as a general fund expenditure of \$15 million, spread over the three years that the credit is available. LFO additionally notes that it is unclear where these funds would need to be appropriated, as credits are typically allocated out of current collections prior to reporting of net receipts.

Additionally, both Department of Insurance (DOI) and LDR could incur processing costs (estimated at \$50,000 each annually) to accommodate transferability with both agencies authorized to charge transfer fees in the bill. Cost estimates assume a tax declaration will be required during the award process to keep the premium tax credits separate from the income/franchise credits and that no cross-transfers will be allowed.

REVENUE EXPLANATION

Proposed law would effectively double the total tax credit received by LIHTC participants, by matching the federal credit with a transferable state credit against either individual income, corporate income, corporate franchise, or insurance premium tax. Credits are allowed for eligible projects in three fiscal years (half of FY24, and all of FY25 and FY26). Proposed law caps credits awarded by the state at \$5 million per fiscal year, and allows no new credits to be awarded after June 30, 2026.

SGF Impacts: Under the expectation of 70 LIHTC participants per year, and an average of a \$1 million credit per participant adjusted for residential construction inflation, LFO anticipates that credit awards in future years would reach the \$5 million maximum in every year available. This would likely happen relatively quickly, as there appears to be far more than \$5 million in existing participation in the program that would be eligible for the additional state credit. LFO thus assumes that the maximum is reached in the six months of FY24 for which the credit is available, in addition to FY25 and FY26. The impact is reflected in the table above as occurring in the three fiscal years the credit may be issued, however impacts may be delayed into future years in the event that credits are carried forward.

SGR Impacts: Under an assumption of approximately 5 applicants per year, and LHC's indicated intention to charge an application fee of \$3,000, fee revenue would fully offset the anticipated \$15,000 in LHC expenditures. Additionally, to the extent credits are transferred, LDR and DOI self-generated fee revenue will increase.

<u>Senate</u>	<u>House</u>
<u>Dual Referral Rules</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}	<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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