LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 134** SLS 11RS 197
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 30, 2011 5:30 PM
Author: CLAITOR
Dept./Agy.: Economic Development / Revenue
Analyst: Greg Albrecht
Subject: Technology Commercialization Program Extension

TAX/TAXATION OR DECREASE GF RV See Note

Extends the Technology Commercialization Credit and Jobs Program from December 31, 2011 to December 31, 2017 and changes it from a refundable tax credit program to a "rebate" program. (7/1/11)

Current law provides up to ten years of refundable tax credits of 40% of eligible expenditures and 6% of eligible payroll when expended on commercializing technology created by a Louisiana business and researched by a Louisiana university or college. Certain other specified tax relief provisions are denied participants in this program. No tax credits can be granted or earned after December 31, 2011.
Proposed law changes the available tax credits to direct payments from the Department of Revenue and extends the availability of these payments for six years until December 17, 2017. Any refundable tax credits earned/granted prior to July 1, 2011 remain valid and effective as refundable tax credits, while qualifying expenditures made from July 1, 2011 are eligible for the direct payment provided by this bill. A specified list of other benefits denied participants of this program is changed to a general prohibition of eligibility for other incentives. Effective July 1, 2011.

EXPENDITURES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**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	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill makes 2 changes that could affect the cost of the program. The first is extending for six years, until 12/31/17, the ability to grant or earn program benefits. This allows more ventures to participate and more expenditures and payroll to qualify for program benefits. Program costs will be greater than otherwise and may annually accumulate as more participation receives annual benefits (for up to ten years per location). So far, the program has had relatively small participation. Since the program was substantially revised in 2007, LED reports 8 participants, $1.126 million of eligible expenditures (no job/payroll credits), and $387,879 of tax credits awarded. The Department of Revenue reports tax credits realized from FY05 - FY11 to date of $457,294 ($317,332 of which occurred in FY10). Based on existing participation alone, the state's annual revenue exposure is volatile but relatively small. However, should the number and/or size of participation increase significantly after this bill is enacted, the state's annual revenue losses could be higher than the existing program participation suggests is likely. The Department of Economic Development suggests additional annual costs of no more than $500,000 per year after FY12 from program extension.

The bill also converts the program benefit mechanism from a refundable tax credit to a direct payment. This by itself should not increase the total revenue costs of the program. In both cases full program benefits are received by participants without regard to their actual tax liabilities. The difference is primarily in the timing of benefit receipt. Direct payments can be received by participants as soon as the Department of Economic Development certifies the benefit amounts and informs the Department of Revenue. Currently, benefits are received only when tax returns are filed. This change results in a one-time permanent acceleration of revenue losses, but the total program revenue losses should not be affected.

This acceleration of benefits could result in some relatively small amount of greater revenue losses in FY12. Program benefits for 4 of 8 participants were granted within two - five months of eligibility. Thus, some expenditures made after 12/31/2011 could result in benefit payments in FY12. Historical program data suggests that this is likely to be only a small exposure to the state.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S} 6.8(F)2 >= $100,000 Annual SGF 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}

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