# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 193** HLS 13RS 758

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

**Date:** April 22, 2013 2:48 PM **Author:** GISCLAIR

**Dept./Agy.:** Economic Development / Revenue

**Subject:** Port Investor Tax Credit / Import Export Cargo Tax Credit **Analyst:** Greg Albrecht

TAX CREDITS EG DECREASE GF RV See Note 

Provides relative to certain port and harbor activities for purposes of qualifying for the ports of La. tax credit

Current law provides a Port Investor Tax Credit against income taxes equivalent to 5% per year of the total capital costs associated with qualifying port infrastructure projects, for a twenty-year period (essentially reimbursing total costs over 20 years). Projects must be at least $5 million in size and constitute industrial, warehousing, or port and harbor operations and cargo handling. No tax credits can be granted after January 1, 2017. Also provides an Import Export Cargo Tax Credit against income and franchise taxes of $5 per ton of cargo shipped through LA ports. Qualified cargo is any breakbulk or containerized cargo (including offshore drilling platforms and equipment) that is exported/imported by oceangoing vessel through a LA public port facility from/to a manufacturing, fabrication, assembly, distribution, processing, or warehousing facility in LA. This credit has no sunset date. Both credits require approval of the Joint Budget Comm. and the Bond Comm. and certification by the commissioner of administration that sufficient revenue is available to the state to offset the costs of the credits. Proposed law expands the investor credit to include ship building/repair.

| EXPENDITURES | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 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 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 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** | | | | | | |

**EXPENDITURE EXPLANATION**

While current law explicitly prohibits LED from hiring additional employees to implement these two programs, the bill expands eligibility. Additional administrative costs may occur depending on the number of additional participating projects and whether the program is ultimately made operational. The cost equivalent of additional positions is approximately $75,000 per year per position.

**REVENUE EXPLANATION**

The Ports Tax Credit Programs are essentially an open-ended state capital outlay program for the state's port system. Capital projects are paid for by the state over 20-year periods and extra payments are made on cargo flows (both via state tax credits). It has been difficult to meet the "revenue neutrality" requirements, and no projects have been approved by LED to date. The bill increases the state's cost exposure by expanding the types of projects eligible to include ship building/repair.

However, this additional exposure may not be realized until the program is operational, and the bill does not address the revenue neutrality test that appears to be the primary reason the program is not currently in operation.

While specific annual tax credit exposure and realization can not be projected with a reasonable degree confidence, should the programs be utilized over the next seven years, state costs could accumulate substantially. LED indicates that ports anticipate sizable private investment over the next five years (for example New Orleans $30 million and Fourchon up to $300 million). Lake Charles initially reported up to $6 billion (inclusive of the entire natural gas export project) but only $22 miilion of that is associated port infrastructure, and the DOTD priority program is currently $78 million (the tax credit program is possible substitute financing). The Department of Economic Development will be responsible for determining what expenditures in any project meet the conditions of the program and are eligible for tax credit. Metrics on the cargo tax credit are typically reported as 700,000 annual eligible tons ($3.5 million per year in tax credit exposure) with an additional 900,000 annual tons that could be targeted for eligibility if shifted to LA ports over time.

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