

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 37** SLS 13RS 40

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 26, 2013	3:28 PM	Author: SMITH, GARY
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Disaster Net Operating Loss and Federal Tax Deduction		

TAX/TAXATION

OR DECREASE GF RV See Note

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To make changes in the state federal income tax deduction and in the net operating loss deduction to provide state income tax relief for both individuals and corporations related to certain disasters. (gov siq)

Current law allows net operating losses to be carried back for three years and used as a deduction against net income in earlier tax years. Losses can also be carried forward for fifteen years and used against future net income.

Proposed law allows a five year carry-back if the loss is attributable to Hurricane Isaac. A portion of the loss must be associated with business activity or property located in any pariah which is whole or in part in the area of disaster declared by the President of the United States.

Proposed law also allows the department to determine that other federal tax benefits are federal tax disaster relief, and those benefits are not reduce the federal income tax deduction provided on state returns.

Effective for all tax years beginning January 1, 2012 and thereafter.

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Little additional expense would be required of the department with respect to the change in net operating loss deduction carry-back period.

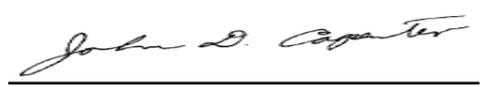
However, additional costs would be incurred if the secretary determined that certain federal tax benefits constituted federal disaster relief. Tax form and system modifications would have to be made to allow taxpayers to recalculate their federal income tax deduction when federal disaster tax relief were being added back for purposes of the state tax calculation. These workload costs typically range \$20,000 - \$40,000, but might be more in this case due to the more complicated calculation and form changes that might be needed, as well as additional taxpayer inquiries and guidance.

REVENUE EXPLANATION

Extending the NOL carry-back period to five years can only work to generate more tax refunds than would otherwise occur. Taxpayers are already allowed a three year carry-back, regardless of the source of the loss. Thus only if there were not sufficient net operating gains in those three years to utilize an NOL against would a taxpayer look back to two more earlier years for gains to offset. The extent to which that would occur from firms affected by this bill is unknown.

The federal income tax "hold harmless" provision of the bill also, can only work to reduce state receipts by some unknown amount. To the extent that the secretary of Revenue determines that federal tax benefits constitute federal disaster relief, taxpayers could add back that tax relief to their federal income tax deduction on their state returns, reduce their state taxable income, and reduce their state income tax liability.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {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}


John D. Carpenter
Legislative Fiscal Officer