LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 193** HLS 13RS 758
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: May 29, 2013 7:13 PM
Author: GISCLAIR
Dept./Agy.: Economic Development / Revenue
Subject: Port Investor Tax Credit
Analyst: Greg Albrecht

TAX CREDITS EG1 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 nonrefundable (10 year carry over) Port Investor Tax Credit of 5% per year of total capital costs of port infrastructure projects for a 20-year period (essentially reimbursing total costs over 20 years). Projects must be at least $5 million in size and involve industrial, warehousing, or port and harbor operations and cargo handling. No credits can be granted after January 1, 2017. Also provides a nonrefundable (5 year carry over) Import Export Cargo Tax Credit of $5 per ton of cargo shipped through LA ports. Qualified cargo is any containerized or break- bulk cargo (including offshore drilling platforms and equipment) carried by oceangoing vessels through a LA public port to/from a manufacturing, fabrication, assembly, distribution, processing, or warehousing facility in LA. This credit has no sunset date. Both credits require approval of the JLCB, the Bond Comm, and certification by the commissioner of admin. that sufficient revenue is available to offset the costs of the credits. Proposed law (1) expands investor credit to ship building/repair and oil & gas support activities, (2) lowers minimum project size to $1.5 million for expenses paid after July 1, 2013, (3) excludes industrial projects and bulk liquid/gas facilities (4) modifies revenue neutrality requirement, (4) infrastructure projects are limited to $2.5 million per year per project and $6.250 milion total per fiscal year, (5) prohibits JLCB approval earlier than July 1, 2014 and, (6) extends credit until January 1, 2020.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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**

EXPENDITURE EXPLANATION

While current law explicitly prohibits LED from hiring additional employees to implement these two programs, the bill may make it easier to participate and expands eligibility. Administrative costs are likely. Depending on the number of participating projects for the investor credit and the calculation of credit amounts additional resources will likely be required in LED in order to not hinder other operations and programs of the department. The cost equivalent of each additional position is approximately $75,000 per year.

REVENUE EXPLANATION

The Ports Tax Credit Program is essentially a 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 incremental cargo flows (both via state tax credits). It has been difficult to meet the "revenue neutrality" requirements in current law, 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 and oil & gas support operations, and by lowering the project size threshold to $1.5 million (from $5 million). Project approval may be made easier by modifying the revenue neutrality requirement, but JLCB approval is still required. The infrastructure component cost exposure is limited by excluding industrial projects and bulk liquid/gas facilities, and by imposing a per project limit of $2.5 million per year, and a total infrastructure credit issuance limit of $6.250 million per year.

LED indicates that ports anticipate sizable private investment over the next five years (for example New Orleans $30 million, Fourchon up to $300 million, Lake Charles $22 million (bulk liquid/gas facilities have been exlcuded from the bill), and the DOTD priority program is currently $78 million (this tax credit program is a possible substitute financing source). 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.

While specific annual tax credit realization can not be projected with a reasonable degree of confidence, state cost exposure would accumulate over time as projects were completed, at a maximum rate of $6.250 million per year. The credits can not be approved by JLCB until after July 1, 2014, and only project expenditures paid after July 1, 2013 are eligible for the infrastructure credit. Thus, the first cost to the state fisc is in FY15 from smaller infrastructure projects.

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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