LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 726** HLS 13RS 2064
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ #2 SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.: HB 455

Date: May 31, 2013 3:25 PM
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Dept./Agy.: Revenue
Subject: New Markets Tax Credit Program
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TAX CREDITS RE2 -$24,750,000 GF RV See Note
Establishes the New Markets Jobs Tax Credit

Current law variations of this program have provided state income and franchise tax credits for investments in Community Development Entities (CDEs) organized to participate in the federal New Markets Tax Credit Program. Tax credits are percentages of the investment in a CDE that are used to make subsequent investments in qualified businesses in the state. Credits are nonrefundable but are transferable. The program was materially modified in 2007, and subsequent versions have specified the total amount of capital allowed to participate and the total amount of tax credit that can be generated. In the last two versions of the program, a total of $100 million of tax credits have been issued.
Proposed law provides $24.750 million of transferable premium tax credit (45% of $55 million of capital allowed into the program). The capital/credit allocation will be made on 8/1/2013, allocating $55 million of capital and generating total tax credit of $24.750 million. Associated tax credits can be claimed over four years: 14% in both years' one and two, and 8.5% in both years' three and four. First credit claims can occur in FY14 and last through FY17.

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.	($7,700,000)	($7,700,000)	($4,675,000)	($4,675,000)	$0	**($24,750,000)**
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	**($7,700,000)**	**($7,700,000)**	**($4,675,000)**	**($4,675,000)**	**$0**	**($24,750,000)**

EXPENDITURE EXPLANATION

In the past the Department of Revenue has devoted a full-time position to administer this program. It seems unlikely that the changes made by this bill would require additional resources. However, with this bill there will effectively be four programs being administered simultaneously, with four different sets of program parameters, at least with respect to the program's tax credits. The bill retains the Revenue Department as the program administrator but provides premium tax credits. Thus, some coordination with the Insurance Department will be required and may add to administrative costs.

REVENUE EXPLANATION

The bill structures the issuance of $24.750 million of tax credit in a single allocation on August 1, 2013, and provides that this issue can first be claimed against tax liabilities on tax returns due on or after January 1, 2014. Thus, premium tax liabilities for 2013, filed in FY14, are first affected. The amount of tax credit that can be taken each year is also structured to be 14% of the capital invested in the program in both of the first and second years, and 8.5% in both of the third and fourth years. Thus, FY14 and FY15 are each exposed to $7.7 million of revenue loss (14% of $55 million of capital each year). FY16 and FY17 are each exposed to $4.675 million of revenue loss (8.5% of $55 million of capital each year).
Total state revenue losses are $24.750 million spread over four years.

Annual realization of the credits is limited to the premium tax liability of the holder of the credits. However, a ten year carry-forward period is allowed for unused credits, and the credits are transferable to other taxpayers. Thus, it is likely that annual realizations will approximate the annual exposures in the table and discussion above.

Total tax credits granted under the New Markets Tax Credit program have been nearly $130 million, prior to the additional credit provided by this bill. Under the pre-2007 program parameters, $29.7 million of credits have been granted over a 9 year period. In two supplements to the program since then, two additional $50 million allocations of tax credits were oversubscribed. It seems likely that the additional $24.750 million of tax credits made available by this bill will be fully subscribed, as well. From FY08 to FY13 (through February 2013) new market tax credits realized have totaled $115.580 million. With this bill, a total of $154.45 million of tax credits will be issued through the state's program.

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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