

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 7, 2013	2:36 PM	Author: SMITH, GARY
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Disaster Net Operating Loss and Federal Tax Deduction		

TAX/TAXATION

EN DECREASE GF RV See Note

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Authorizes for corporations a net operating loss carryback of 5 years if the loss is attributable to Hurricane Isaac. (see Act)

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. The aggregate amount of deduction allowed under these new provisions for all taxpayers is capped at \$10 million per taxable year.

Effective for all tax years beginning August 1, 2011 and thereafter, but only when the 113th Congress of the United States grants a similar benefit to taxpayers under federal income tax law.

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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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.


REVENUE EXPLANATION

Extending the NOL carry-back period to five years, and for tax years that have already completed, 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.

However, the bill provides a \$10 million maximum annual amount of carry-back deduction that can be allowed for all taxpayers for Hurricane Issac losses. This effectively caps the state tax revenue loss exposure to \$800,000 per year, based on the top corporate income tax rate of 8%.

In addition, any impact from this bill is contingent upon the federal income tax law granting a similar benefit. Bills to grant similar benefits have been introduced in both the House (H.R. 453) and the Senate (S.93). Both bills have been referred to their subject matter committees and await action.

<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