

LEGISLATIVE FISCAL OFFICE Fiscal Note

ACT 117

Fiscal Note On: **HB 508** HLS 15RS

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Date: June 30, 2015 9:33 AM

Sub. Bill For.:

Author: FOIL

Dept./Agy.: Revenue

Subject: Income Tax Deduction Analyst: Shawn Hotstream

TAX/INCOME TAX

EN DECREASE GF RV See Note

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Authorizes an income tax deduction for taxpayers who employ certain qualified disabled individuals

<u>Proposed law</u> allows a state income tax deduction to a taxpayer that provides continuous employment for certain disabled individuals within Louisiana.

<u>Proposed law</u> defines a qualifying disability as certain individuals with intellectual or developmental disabilities or individuals with service connected disabilities, and <u>establishes a level of deduction</u>. The deduction is 50% of gross wages paid to a qualified disabled individual in the first four continuous months of employment, decreasing to 30% for each subsequent continuous month of employment. <u>Proposed law</u> provides that the tax deduction program is capped at 100 qualifying individuals per year (monitored by the Department of Health and Hospitals). In addition, the mix of the 100 qualifying individuals shall include an individual who has been determined to be eligible and receiving services through the office for citizens with developmental disabilities or an individual with a service connected disability. <u>Proposed law</u> provides to the extent practicable, the credits shall be apportioned equitably to employers who are geographically representative of all portions of the state. Proposed law requires DHH and the Department of Revenue to approve applications and promulgate rules in consultation with the Dept. of Veterans Affairs to implement the program.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	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>

EXPENDITURE EXPLANATION

Annual Total

Information provided by the Department of Revenue indicates additional one time expenditures of approximately \$41,000 in FY 16 for computer system development and modification, tax form redesign, and testing, and assumes implementation costs will be absorbed with existing staff and resources. DHH anticipates a minimal cost associated with creating a form, certifying individuals, maintaining records and reporting, which will be absorbed with existing staff and resources.

REVENUE EXPLANATION

Proposed law provides an income tax deduction to individuals that employ certain disabled individuals. Although there is a large population of potential eligible individuals whose wages could be subsidized by the proposed tax deduction, the bill limits the program to 100 individuals annually, and includes certain individuals which are determined to be disabled (receiving services through the office of citizens with developmental disabilities) and individuals determined to have a service connected disability. The Office for Citizens with Developmental Disabilities indicates that 3,760 individuals in the Developmentally Disabilities program are currently working, or are participating in skills/vocational training to become employed. Jobs typically include food service work, other service industry jobs such as cleaning and lawn work, and office/administrative support. Many of these jobs would meet the 20 hours per week work requirement of the bill. Additionally, Veterans Affairs reports approximately 29,976 Louisiana Veterans would qualify under the 50% or greater service connected disability rating category.

Based on the number of disabled individuals currently working or seeking work through vocational programs alone, the fiscal note assumes that the program cap of 100 individuals would be reached and generate deductions in the first year. As an illustrative example, the amount of gross wages deducted would be nearly \$750,000 per year based on minimum wage paid on at least 20 hours per week per individual. This would result in as much as \$22,000 per year of state tax revenue loss. Although employment data for eligible veterans is not known, veterans are likely to earn more than the minimum wage. Because program eligibility is capped, the state's exposure is not anticipated to grow materially over time. The impact to the state would change to the extent average participating gross wages exceed the minimum wage example, and to the extent average weekly hours worked exceeds the 20-hour minimum of the program. Revenue losses in FY16 would likely be less than in subsequent years since tax year 2015 would be nearly half over by the time this bill is enacted.

<u>Senate</u>	Dual Referral Rules	<u>House</u>	$6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}$	Hegoz V. allech
13.5.1 >= \$	100,000 Annual Fiscal Cost {S8	&H}	$6.8(F)(2) >= $500,000 \text{ Rev. Red. to State } \{H \& S\}$	
	500,000 Annual Tax or Fee hange {S&H}		6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Gregory V. Albrecht Chief Economist