LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 1067** HLS 16RS 2098
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.: **w/ PROP HSE COMM AMD**
Sub. Bill For.:

Date: May 1, 2016 4:21 PM
Author: SCHRODER
Dept./Agy.: Revenue, Economic Development, and Various Others
Subject: Tax Expenditure Appropriation
Analyst: Greg Albrecht

TAX EXEMPTIONS OR SEE FISC NOTE See Note
Requires the appropriation of certain tax expenditures beginning in Fiscal Year 2018-2019

Proposed law requires each income & franchise tax credit and rebate to be contained in the executive budget and general appropriations bill within the section for the agency that grants or administers the program. The total amount of any income & franchise tax credit or rebate granted by the Department of Revenue, Economic Development, or any other state agency shall not exceed its appropriation. The administering agency shall establish the methods of allocating available appropriations (first-come first-served, reservations, or other methods). Certain incentive expenditures, those listed in R.S. 39:2(15.1) or any other tax credit or rebate authorized in Titles 47 & 51, are not subject to the appropriation requirement of this bill if a periodic program evaluation and either a program cap or per taxpayer cap and coterminous sunset are established prior to the 2018 session. Such program evaluations must be conducted at least once every five years.

Effective upon governor's signature, and applicable for the 2018-2019 fiscal year and subsequent years.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	**$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**

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$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**

EXPENDITURE EXPLANATION

While tax credits and rebates are charged against specific tax types and are reflected in net revenue collections, development and implementation of processes to forecast, constrain, and allocate affected credits and rebates to appropriated levels will involve general administrative expenses. Those expenses may be substantial given the numerous credits and rebates affected by the bill. Costs are speculative at the outset of consideration of the change in processes proposed by this bill. The first implementation occurs in FY19, but expenses in FY18 would likely be necessary in preparation for that start.

REVENUE EXPLANATION

The bill affects numerous credits and rebates involving a number of different departments. With some duplication across tax types, there are about 40 nonrefundable credits and 23 refundable credits on the corporate income and franchise tax return, and 51 and 30, respectively on the personal income tax return. There are also a number of rebates that do not have to be claimed on tax returns (seven with payments made in FY15). While ultimately the claim and receipt of these programs' benefits occurs through the Department of Revenue, a number of other agencies are involved in administering and granting these benefits, including the Departments of Revenue, Economic Development, Culture & Tourism, Labor, Education and possibly others. The bill speaks to appropriations, which implies constraint at the point of the Revenue Department, but it may also be construed to apply constraint at the point of the granting/administering agency such as Economic Development. Presumably, some coordination between these agencies will be required to implement the bill.

Currently, the Department of Revenue is charged with limiting the realization of film and solar credits to maximum dollar amounts per year, and may be able to extend that process to all the credits and rebates affected by this bill. This appears to require stopping and alternatively processing every tax return with an affected credit claim, and rebate claims, in order to constrain the total of claims for each to the appropriated amount for each and allocate the available appropriations to the claimants for each program each year.

Whether total tax expenditures are affected by the bill depends on the amount of claims that would otherwise be paid relative to the specific appropriation levels. Presumably, the processes developed and implemented will encompass the over (under)-subscription of annual claims relative to annual appropriations, the allocation of those discrepancies, as well as the possibility of changes in appropriation within the fiscal year. While specifically appropriated, presumably credits/rebates would still be paid out of current collections but only up to the appropriation amount for each.

Since appropriations can not exceed the official REC revenue forecasts, modifications of the reporting, tracking, and forecasting processes of at least the Department of Revenue, the Division of Administration, and the Legislative Fiscal Office will have to be made in order to incorporate forecasts of each credit/rebate into the REC process. Since each credit/rebate has unique characteristics, the degree of rigorousness desired will dictate the amount of current resource diversion or additional resources needed to implement the bill.

Senate — Dual Referral Rules — House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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