



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **SB 217** SLS 21RS 412  
 Bill Text Version: **ENROLLED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

**Date:** June 15, 2021 8:44 AM **Author:** HARRIS, JIMMY  
**Dept./Agy.:** Economic Development / Revenue **Analyst:** Greg Albrecht  
**Subject:** Credit for Containerized Shipping at Ports

TAX/TAXATION EN -\$683,000 GF RV See Note Page 1 of 1  
 Provides for the Louisiana Import Tax Credit. (gov sig)

Proposed law provides tax credits of up to \$50 per net new TEU (twenty-foot equivalent unit - a standard containerized cargo unit) imported through Louisiana public ports, or \$100 per net new TEU if imported as part of a project agreement with the state. Applicable to port facility users importing more than 50 TEUs and exhibiting an increase of volume by at least 105% during the incentive period relative to the base period. Credits are nonrefundable and nontransferable, but have a five-year carry-forward period. Credits are generated for an annual period where the recipient increases their TEU volume by 5% over the preceding three year's average annual TEU volume. Tax credits awarded to any recipient shall be subject to the program limitation of \$4.5 million per fiscal year, and a recipient shall not receive any other state tax credit, exemption, exclusion, deduction, rebate, or tax benefit for which a port credit has been received. Applications are to be accepted on or after September 1, 2021, and no credits shall be awarded for applications received after July 1, 2025. Effective upon governor's signature.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$342,000)	(\$683,000)	(\$683,000)	(\$683,000)	<b>(\$2,391,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$342,000)</b>	<b>(\$683,000)</b>	<b>(\$683,000)</b>	<b>(\$683,000)</b>	<b>(\$2,391,000)</b>

**EXPENDITURE EXPLANATION**

The Department of Revenue indicates that the costs to modify and test tax systems to incorporate an additional or modified credit is approximately \$26,000 of staff time. The Dept. of Economic Development indicates no additional resources would be needed to administer the program. However, the number of potential applicants, as indicated by the Port of New Orleans, may ultimately require additional resources within LED.

**REVENUE EXPLANATION**


The bill provides tax credits to importers of containerized cargo (TEUs), of \$50 per TEU imported over the level of TEUs in a base period. Participants have to increase TEU imports by at least 5% in an annual period (incentive period) relative to the preceding three year average of TEU imports (base period). The Port of New Orleans, the only containerized port in the state, provided historical TEU counts, as well as counts by importing port user. In the aggregate, imported TEUs have increased from 78,681 in 2009 to 138,470 in 2020, exhibiting a compound average annual growth rate of 5.27% per year over those twelve years. This suggests net new TEU growth in excess of the 5% growth threshold of the bill is occurring, although considerable variability has also occurred with annual growth ranging from -5% to +23%.

The Port also provided TEU counts from the perspective of individual importing firms who would be the program's applicants/participants. That data suggested that 195 of 596 importers might qualify with at least 5% TEU growth, and 158 of these importers likely being Louisiana firms with state tax liabilities against which to claim the credit. The net new TEU counts of these importers implied aggregate state tax credits of some \$683,000; well below the program aggregate tax credit exposure of \$4.5 million per year. The bill refers to a "one-time tax credit", but is not clear if participants can repeatedly reapply for the program each year. The bill's provisions do not sunset or terminate, so presumably, the program would be available on an ongoing annual basis to importers, generating annual credit costs to the state. To the extent program participants increase TEU counts in each incentive period over each base period by at least 5%, greater annual tax credit amounts would be generated.

The total TEU credit exposure is reflected in the table above, with the first year impact set at one-half to acknowledge that some ramp-up of participation is likely. These are likely maximums in that some firms may not participate at all, and some firms may not have sufficient liabilities to realize all of their credit each year. A five year carry-forward is provided in these cases. Exposure is assumed as soon as FY23 for 2021-based incentive periods since the bill contemplates application acceptances as early as September 1, 2021.

Additionally, the bill provides a \$100/TEU credit for port facility users entering into project agreements with the Dept. of Economic Development. It is not clear what constitutes a project agreement, and how much additional exposure to the state fisc these provisions of the bill might generate.

- |   |  |
|---|--|
| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 &gt;= \$100,000 Annual Fiscal Cost {S &amp; H}</p> <p><input checked="" type="checkbox"/> 13.5.2 &gt;= \$500,000 Annual Tax or Fee Change {S &amp; H}</p> | <p><u>Dual Referral Rules</u></p> <p><input type="checkbox"/> 6.8(F)(1) &gt;= \$100,000 SGF Fiscal Cost {H &amp; S}</p> <p><input type="checkbox"/> 6.8(G) &gt;= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
|---|--|

  
**Christopher A. Keaton**  
 Legislative Fiscal Officer