



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 65** SLS 25RS 229
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 14, 2025	1:41 PM	Author: FOIL
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Inventory Tax Credit for elective S-Corps		

TAX/TAXATION OR INCREASE GF RV See Note Page 1 of 2
 Provides for the treatment of certain pass through entities under the inventory tax credit. (gov sig)

Current law authorizes a state income tax credit for 100% of local ad valorem taxes paid on inventory (including natural gas storage) up to \$750,000 annually with partial refundability for those filing against personal income tax (PIT). The inventory tax credit is not refundable for C-Corps but can be carried forward if not expired before 1/1/25 for an additional 5 years (base is 10 years). Effective July 1, 2026, current law prohibits credits to be earned against corporate income tax (CIT) for C-Corps, but the credit remains in place if taken against personal income tax (PIT). All credits claimed by partnerships, LLCs and S-Corps are charged against PIT collections.

Proposed law repeals the inventory tax credit for fiduciary taxpayers (trusts and estates) for credits earned on or after July 1, 2027 but allows an additional 5 years of carry forward. Proposed law allows S-Corps to continue to receive the inventory tax credit after July 1, 2027, but only against income taxed at the shareholder level, not against income taxed at the entity level. Effective with tax year 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	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	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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

EXPENDITURE EXPLANATION

LDR may incur additional expenses related to administrative requirements with the expansion of the credit to fiduciary filers and delineation of the credit between taxes paid by the entity and the shareholder for S-Corp filers. These expenses are expected to be absorbed within the LDR base budget.

REVENUE EXPLANATION

The bill is expected to increase SGF collections by an indeterminate amount as the inventory tax credit is prohibited for fiduciary and S-Corps paying income tax at the entity level. Fiduciary and S-Corp filers are reported in Personal Income Tax in the official forecast which is why the impact falls to the SGF.

Fiduciary filers (estates and trusts) are prohibited by the bill from taking the inventory tax credit beginning July 1, 2026, which is estimated to increase SGF by about \$2 M annually based on FY 24 collections beginning in FY 27. Earned credits will be eligible for an additional 5 years of carryforward, with actual amounts depending on filing patterns and use of carryforward credits.

The bill also mandates that, as of July 1, 2026, S-Corps will only earn credits against income taxed as personal income tax (income that is passed through to shareholders), and the inventory tax credit will no longer be available to S-Corps for income tax paid at the entity level. Since S-Corp remittances are included in personal income tax, this provision would increase SGF by the amount of credits claimed against taxes paid at the entity level, again depending on filing patterns and use of carry forward credits. Data that splits S-Corp payments between entity and shareholder is not forecast separately and is not readily available but has been requested. Once received, the note will be updated to a more specific estimate.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 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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CONTINUED EXPLANATION from page one:

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