LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 145** HLS 25RS 497
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 12, 2025 10:54 PM **Author:** WILDER
Dept./Agy.: Dept. of Revenue
Subject: Income Tax Deduction: Construction Code Retrofitting **Analyst:** Noah O'Dell

TAX/INCOME TAX EG DECREASE GF RV See Note

Increases the maximum amount of the construction code retrofitting deduction and expands the deduction to cover costs associated with "fortified home" standards compliance

Current law provides for a construction code retrofitting (CCR) income tax deduction for 50% of costs paid by a taxpayer to voluntarily retrofit an existing residential structure (with a homestead exemption) to bring it into compliance with the State Uniform Construction Code. The amount of the deduction is capped at $5,000 per qualifying structure. Rental property and the value of costs paid from state, municipal, or federal incentives do not qualify for the deduction. Taxpayers claiming the deduction for a fortified roof may only claim the deduction for amounts in excess of any Fortify Homes program grants.

Proposed law retains current law and doubles the maximum amount of the existing CCR deduction from $5,000 to $10,000 per structure and expands the eligible expenses qualifying for the CCR deduction to include retrofitting a homestead exempt residential structure to the fortified home standards of the Insurance Institute for Business and Home Safety (IIBHS).
Effective January 1, 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	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**$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

The Department of Revenue (LDR) is anticipated to incur estimated costs of $13,100 SGR in FY27 related to computer system development, modification, and testing to update the edits on resident and nonresident tax returns. The department reports the ability to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.

REVENUE EXPLANATION

The bill is anticipated to decrease SGF revenue beginning in FY27 when 2026 tax returns are filed as the bill increases the maximum deduction for current qualified residential improvements from $5,000 to $10,000 and adds projects retrofitting to the fortified home standards of the Insurance Institute for Business and Home Safety (IIBHS), which extend beyond fortified roof. The magnitude of the SGF revenue loss is indeterminable due to the unknown number of claimants who may voluntarily retrofit residential structures with the newly expanded criteria of the fortified home standards, the doubling of the existing deduction, or potentially exogenous insurance incentives.

Doubling the existing deduction

LDR reports negligible revenue loss in FY23 and about $12,000 in forgone taxes in FY24 under the existing CCR deduction. Using the 2024 data at the 2025 tax rate of 3% and increasing the maximum deduction to $10,000, the department anticipates this would result in a revenue loss under $10,000. Assuming the current level of taxpayers claim the deduction moving forward, SGF revenue would be expected to decline by a minimal amount.

Adding IIBHS fortified home standards

It is not clear if or how many taxpayers would voluntarily retrofit residential structures into compliance with the newly expanded criteria of the fortified home standards or due to the doubling of the maximum deduction. The Louisiana Fortified Home Program (LFHP) and the Office of Property and Casualty (OPC) report there are different levels of fortified homes standards (Fortified Roof, Fortified Silver, and Fortified Gold) established by IIBHS which vary in costs but appear to qualify for the deduction under the bill. However, LFHP and OPC do not have the data or building code expertise to provide an estimate or cost analysis associated with the bill. These factors, along with potential insurance incentives taxpayers may respond to, leave the LFO unable to form the basis for an exact estimated revenue impact from the bill.

Note: The SGF impact may originate as the LDR retention of 1% of income tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

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}

Deborah Vivien
Chief Economist