LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 665** HLS 25RS 1038
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 14, 2025 7:25 AM **Author:** WILLARD
Dept./Agy.: Louisiana Economic Development / Department of Revenue
Subject: Income Tax Credit: Extends the Angel Investor Tax Credit **Analyst:** Noah O'Dell

TAX CREDITS EN -$1,000,000 GF RV See Note
Provides relative to the Angel Investor Tax Credit Program

Current law provides for the Angel Investor Tax Credit Program, which awards transferable income tax credits for investments in qualified businesses. The credit rate is currently 25% of eligible investments with an annual program credit award cap of $7.2M (unused capacity carries forward) for applications received on or before June 30, 2025; $3.6M credits are reserved for opportunity zone; provides an enhanced credit of 35% for investments in businesses located in federal opportunity zones. All credits, with or without the enhancement, may be redeemed two years after the credit is certified in the amount of 50% of the credit each year for 2 years. Taxpayers may carry forward or transfer unused credits for up to 10 years. Annual credits awarded are limited to $720,000 per business with a lifetime investment cap of $1.44M per business. Investment in the professional services sector is not eligible, along with certain other sectors.
Proposed law extends the program until June 30, 2026, after which no new credits shall be reserved; constrains credit eligibility to businesses in certain business sectors (professional services are now eligible); expands eligibility for a 35% enhanced credit to include investments made in businesses located in parishes with a population less than 50,000; credits no longer have to be split in equal portions for two years, allowing investors to claim 100% two years after the credit is certified.

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.	**($1,000,000)**	**$1,000,000**	**($1,000,000)**	**($1,000,000)**	$0	**($2,000,000)**
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	**($1,000,000)**	**$1,000,000**	**($1,000,000)**	**($1,000,000)**	**$0**	**($2,000,000)**

EXPENDITURE EXPLANATION
There is no anticipated direct material effect on governmental expenditures as a result of this measure.

LFO corroborates the ability of LED to continue issuing credits through June 30, 2026. The current program's rolling cap is $19.2M in 2025 due to unused capacity carrying forward. So far, $4.2 M credits have been issued in 2025.

REVENUE EXPLANATION
Overall, the bill is expected to decrease SGF revenue throughout the fiscal horizon, with specific impacts related to accelerated claiming of credits estimated to decrease SGF revenue by $1M in FY 26 and increase SGF revenue by $1M in FY27. The bill is expected to shift the revenue loss from FY27 into FY26 due to the elimination of the requirement that credits being claimed in equal portions for two years (a four year process is now collapsed into a three year). The bill also allows for an additional year of credits to be issued by LED under new expanded eligibility criteria, which is anticipated result in additional revenue loss over the horizon as new credits will be claimed against future tax liabilities.

Timing of Credit Claims
Under the current program, credits may be redeemed two years after issuance in the amount of 50% each year for two years. The bill accelerates payments by allowing the credit to be taken at 100% two taxable years after the credit is certified. Investors will no longer have to claim partial 50% credits, which is anticipated to impact revenue loss in FY26 due to claims from existing outstanding credits. LFO believes the revenue loss estimate of $1M in FY26 represents exposure from a culmination of credits that would immediately become available for redemption based on the average annual credits claimed. As a result of this opportunity to claim credits sooner, fewer credits are anticipated to be claimed in FY27. Since the transferable credits have a ten year carryforward period, the exact timing of credit realizations is speculative.

One Year Extension
The current program can accept applications for the tax credits through FY25, with realization of those credits against state tax liabilities beginning in FY27 and occurring through FY29. Thus, some program credit costs will occur throughout the fiscal note horizon regardless of the program extension and adjustments made in the bill. The extension of the credit program is expected to result in additional revenue loss each year relative to the baseline expectation of a sun-setting credit, which is reflected in revenue table seen above as a decrease in SGF revenue.

Expanded Eligibility
The bill expands eligibility for the 35% enhanced tax credit to qualified investments made in entrepreneurial businesses in parishes with a population of 50,000 or less, but also constrains credit eligibility to a list of certain business sectors that appears to align with industries targeted in LED's 2025 Comprehensive Statewide Strategic Plan... **CONTINUE PAGE 2**

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Chief Economist

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CONTINUED EXPLANATION from page one:

The constrained list of potential business sectors (now inclusive of professional services) may potentially disqualify certain applicants for the credit, but overall eligibility for the credit program appears to be expanded in the proposed measure.

LED issuance data for the past 5 years indicates an average of $5M of credits issued annually and Tax Exemption Budget data from LDR indicates an average of approximately $2M claimed annually in recent years. Claims are the result of multiple years of program activity, thus the rough estimate of the impact of the bill is a SGF decrease of half that amount for the two years of claims authorized by the bill (noted as $1M in each year in the table above). Actual claims could be disbursed among subsequent fiscal years through use of carryforward or transfer of credits. Further, should the changes in credit eligibility increase the number of credits issued, the program's costs to the state will increase by a like amount when credits are claimed.

Senate	Dual Referral Rules	House
☐	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒	13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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