LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 19** HLS 162ES 21
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 7, 2016 9:02 AM **Author:** MONTOUCET
Dept./Agy.: Revenue
Subject: Inventory Tax Credit **Analyst:** Greg Albrecht

TAX CREDITS OR +$48,000,000 GF RV See Note
Reduces the amount of certain ad valorem tax credits and provides for the carry forward rather than the refund of a certain portion of excess credit amounts (Item #36)

Beginning January 1, 2016, the amount of tax credit granted for property taxes paid on inventory shall be 80% of the tax paid to local governments. Existing provisions regarding 75% refundable and 25% nonrefundable with five-year carry forward are retained, as are the provisions for taxpayers paying less than $10,000 of property tax.

Effective upon governor's signature.

EXPENDITURES	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**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	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**5 -YEAR TOTAL**
State Gen. Fd.	$48,000,000	$52,000,000	$53,000,000	$59,000,000	$59,000,000	**$271,000,000**
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	**$48,000,000**	**$52,000,000**	**$53,000,000**	**$59,000,000**	**$59,000,000**	**$271,000,000**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Act 133 of the 2015 session established the current provisions for inventory that that this bill is modifying. That bill is expected to result in substantial additional net collections to the state as a result of allowing taxpayers to receive refunds for 75% of the inventory credit that exceeds tax liabilities, with the state essentially gaining the 25% share that was made nonrefundable with a five-year carry forward. This bill appears to impose an absolute reduction of 20% in the credit available for property taxes paid on inventory in 2016 and beyond (the total credit is reduced to 80% of what was paid). Analysis of the impact of this bill is complicated by the fact that FY15 data are distorted due to an abnormal level of filings and credit claims prior to the effectiveness of the 2015 changes.

The Department of Revenue attempted to work around this complication by establishing a baseline credit cost expectation due to the 2015 changes but based on FY14 tax filings and credit claims with respect to the level of claims and liabilities, and the pattern of tax year filings within a fiscal year time frame (for example, 11% from the first preceding calendar year, 84% from the second preceding year, and 5% from the third preceding year). Net receipts of revenue in FY17 will involve the denial of credit claims on returns filed before July 1, 2016.

The available tax credit for property taxes paid in 2016 and beyond will be reduced by 20% (to 80% of the amount paid in property tax) and subject to the current law provisions of refunds for 75% of amount of credit n excess of liability and 25% carried forward for five years. Revenue gains relative to the current law baseline expectation are in the $50 million range in FY17 and beyond.

This bill significantly reduces a particular credit one year after a previous significant reduction to this credit. Return filings and credit claims were distorted by the previous reduction of Act 133 of 2015 RS. The true baseline of credit is highly uncertain. In addition, much of this credit is charged against corporate tax collections which have been extremely weak, reflecting underlying economic conditions and recent tax amnesties. Consequently, estimates of corporate tax changes are made with a very low degree of confidence.

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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