

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 25** HLS 162ES 55
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 20, 2016 9:24 AM	Author: LYONS
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Citizens Insurance Assessment Tax Credit	

TAX/INCOME-CREDIT EN +\$17,000,000 GF RV See Note Page 1 of 1

Reduces the amount of the income tax credit for the Louisiana Citizens Property Insurance Corporation Assessment and makes the reduction permanent (Item #46)

Present law allows a refundable tax credit against income tax for the amount of assessments paid by taxpayers as a result of assessments levied on insurance policies due to Hurricanes Katrina and Rita associated with the Louisiana Citizens Property Insurance Corporation FAIR Plan and Coastal Plan. The credit is 72% of the assessment paid until June 30, 2018, then it is 100% of the assessment paid.

Proposed law reduces the credit to 25% of the assessment paid, and makes this new credit rate permanent. Applicable to all taxable years beginning on or after January 1, 2016.

Effective upon governor's signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$17,000,000	\$21,200,000	\$33,800,000	\$33,800,000	\$33,800,000	\$139,600,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$17,000,000	\$21,200,000	\$33,800,000	\$33,800,000	\$33,800,000	\$139,600,000

EXPENDITURE EXPLANATION

A single simple change such as proposed by this bill typically results in a few thousand dollars of staff time for system modifications and testing (the Department estimates \$20,000 for this change), that are absorbed within the existing agency budget. However, to the extent this change is accompanied by various other tax law changes, with varying degrees of complexity, the amount of administrative time and cost can become material, resulting in the supplanting and/or delay of other agency functions/activities.

REVENUE EXPLANATION

Claims for this credit have been fairly stable around \$45 million for the last three full fiscal years prior to the imposition of the reduction to 72% in current law. That reduction is expected to result in some \$12.6 million of lower credit costs in FY16 - FY18; allowing total credits in those years of \$32.4 million. The reduction imposed by this bill would reduce credit costs even more relative to the 72% credit allowed in current law for the next two years, and by even more relative to the 100% credit allowed in current law for subsequent years.

The Department of Revenue indicates that in any given fiscal year, approximately 20% of the credit cost is associated with the immediately preceding calendar year (tax year). Thus, given the 2016 tax year beginning effectiveness of this bill, the first fiscal year affected, FY17, results in only 80% of the full annual fiscal year potential gain relative to the 72% credit already allowed in current law, or \$16.92 million. In FY18, a full annual effect occurs of \$21.2 million relative to the 72% credit already allowed in current law. Then, from FY19 and beyond, the full annual effect of a 25% credit, or \$33.8 million, is realized relative to the 100% credit that will be allowed in current law.

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}

John D. Carpenter
Legislative Fiscal Officer