

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 153** HLS 17RS 863  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 9, 2017 4:46 PM	<b>Author:</b> BROADWATER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Reinstate 100% Net Operating Loss Deduction	

TAX/CORP INCOME EG -\$146,000,000 GF RV See Note Page 1 of 1  
 Provides relative to the net operating loss deduction from corporate income tax

Current law limits the net operating deduction to 72% of a taxpayers net operating loss carryover, not to exceed 72% of of Louisiana net income.

Proposed law reinstates the net operating loss deduction in full for taxable years beginning on or after January 1, 2020. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	(\$16,000,000)	(\$138,000,000)	<b>(\$154,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$16,000,000)</b>	<b>(\$138,000,000)</b>	<b>(\$154,000,000)</b>

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

To estimate the full reinstatement of the net operating loss deduction, the Dept of Revenue re-computed 2015 corporate income tax returns allowing full utilization of the deduction. The re-computation resulted in an increase of approximately \$1.8 billion of taxable net income and \$146 million of decreased tax liabilities in the aggregate. The first tax year of reinstatement is 2020, with the first fiscal year of tax collections affected being FY21.

In any particular fiscal year returns are filed for a number of prior tax years. Past filing patterns suggest that within a fiscal year, 11% of returns apply to the immediate tax year, 84% to the preceding tax year, and 5% from earlier tax years. Incorporating this pattern, results in a first year liability reduction of \$16M (\$145.6M x 11%). The second year reduction will include an 84% filing factor applied to the first year's full annual amount plus the second year's full annual amount and an 11% filing factor, resulting in a \$138M liability reduction. The third year reduction will include a 5% filing factor applied to the first year's full annual amount plus an 84% filing factor applied to the second year's full annual amount plus the third year's full annual amount with a 11% filing factor, resulting in a \$146M liability reduction. This pattern accumulates the tax year liability reductions realized in fiscal years over a three year period until the full amount of reduced tax liabilities are realized in FY23 and beyond (the \$146 million total re-computation amount).

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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