LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 362** HLS 17RS 510
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 15, 2017 5:19 PM
Author: IVEY
Dept./Agy.: Revenue / Economic Development
Subject: Modify Certain Income and Franchise Tax Credits
Analyst: Greg Albrecht

TAX CREDITS EG INCREASE GF RV See Note
Provides with respect to income and corporation franchise tax credits

Proposed law reduces the state tax credit granted for local ad valorem taxes paid on inventory property to 50% the tax paid, and converts it entirely into a nonrefundable credit with a five-year carryforward. Provisions affecting manufacturers with industrial tax exemptions are repealed. Extends the current $180 million per year cap on tax credits paid for the film production program for seven years, through FY25, then reduces the cap to $135 million for FY26, then to $90 million for FY27, to $45 million for FY28, and then terminates the availability of credits for FY29 and beyond. Various other tax credits are repealed. For income tax purposes, effective for tax periods beginning on and after January 1, 2018. For franchise tax purposes, effective for tax periods beginning on and after January 1, 2019.

Contingent upon adoption of a constitutional amendment proposed in House Bill 356 of this session, and enactment of House Bills 357, 358, 359, 360, 361, 363, and 364 of this session.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	$0	INCREASE	INCREASE	INCREASE	INCREASE	**$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 Dept. of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time ($24,000 in this case). An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

The inventory credit program was extensively modified in the 2015 and 2016 sessions, with a significant modification being a conversion of a portion of the credit into a nonrefundable credit with a five-year carryforward for certain businesses. Tax returns fully reflecting that and other changes to the program have not yet been completely received, and the Dept. is unable to assess the dollar impact of the further changes proposed by this bill. However, the proposed changes should reduce the cost of the credit by cutting its total available value in half and extending nonrefundability to all recipients and to all of the available credit. These changes will be realized as an increase in net state tax receipts.

The motion picture production tax credit was also extensively modified, and its annual realized costs to the state fisc capped at $180 million per year over the three-year period FY16 - FY18. From FY19, current law removes the cap and it is possible that future annual costs will exceed that level. Thus, this bill's continuation of the current program cost cap for seven additional years will constrain costs to that annual amount, on average, through FY25. Costs will then be reduced over the next three years until no more productions are allowed into the program in FY29. Program costs may begin to fall off even before the cap begins declining, as productions decide not to participate in fear of not being able to actually receive the program's benefits under a declining cap. Regardless, the state cost savings are well outside the fiscal note horizon.

A number of other relatively small tax credits are repealed by the bill, as well. Net state tax receipts may be increased as early as FY19 from three credits that do not include carryforward provisions or do not involve application processes, both of which tend to delay cost savings from terminating programs. These credits are alternative fuel vehicle conversion, donations to training providers, and the Citizens Insurance assessment, and the Dept. estimates possible net revenue gains from repeal of these three credits at $9 million to $15 million per year in FY19 and beyond. Other repealed credit programs will gradually contribute to net state tax receipt gains in subsequent years as their carryforward credits exhaust and existing participation works through the programs without new participants entering the programs.

Senate / Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 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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