

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 641** HLS 17RS 902
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 16, 2017 6:13 PM	Author: MCFARLAND
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Rural Jobs Tax Credit Program	

TAX CREDITS EG -\$90,000,000 GF RV See Note Page 1 of 1
 Establishes the La. Rural Jobs Act Tax Credit Program

Proposed law allows the Dept. of Revenue to accept applications for creation of rural growth funds to take in capital to finance investments (equity or loan) in rural businesses (specified by broad industrial codes in the bill). Total capital allowed into the program can be up to \$150M with \$90M (60%) from insurance companies. The insurance company investment is fully reimbursed by \$90M of state tax credits against premium tax liabilities. Credits are nonrefundable but are transferable to affiliates with premium tax liabilities. Applications can be accepted beginning October 1, 2017. Associated tax credits can be claimed evenly over three years, beginning five years after a fund's capital has been obtained. First credit claims can occur in FY23 through FY25.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
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	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

The Dept. of Economic Development indicates the likely need of a full-time position to administer this program, at an annual cost of approximately \$50,000 per year in compensation and support. The bill specifies an application and recapture process, and requires various ongoing reports and monitoring.

REVENUE EXPLANATION

The bill allows the issuance of \$90 million of premium tax credits that can first be claimed against tax liabilities for the fifth year after the credit issuance. Thus, if issued in 2017, premium tax liabilities for 2022, paid in FY23, are first affected. The amount of tax credit that can be taken each year is also structured to be 1/3 of the issuance. Thus, FY23 is exposed to \$30 million of revenue loss. Then FY24 and FY25 are each exposed to \$30 million of revenue loss. Total state revenue losses are \$90 million over FY23 - FY25, spread over three years.

Annual realization of the credits is limited to the premium tax liability of the holder of the credits. However, a ten year carry-forward period is allowed for unused credits, and the credits are transferable to other taxpayers with premium tax liabilities. In addition, similar variations of this bill's program in the state (typically New Markets Tax Credit programs) have been fully subscribed. Thus, it is likely that the annual exposures discussed above will be realized against the state fisc.

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}

John D. Carpenter
Legislative Fiscal Officer