LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB** **645** HLS 17RS 427
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 23, 2017 3:21 PM **Author:** CARTER, G.
Dept./Agy.: Economic Development
Subject: Tax Credits for Manufacturing Projects **Analyst:** Greg Albrecht

TAX CREDITS EG DECREASE GF RV See Note
Establishes a tax credit pilot program for certain Louisiana-based manufacturing industries

Authorizes the Dept. of Economic Development (LED) to award tax credits against income and franchise tax for expenses associated with construction of qualifying manufacturing projects in the state. Credits are nonrefundable but have a five-year carryforward. Credits can equal 50% of the costs of a project, up to $1 million per project. The total amount of program credits that can be awarded are $10 million over a five-year period. Credits can be awarded in lump sums or may be structured over time. Disallowed credits can be recaptured. No credits can be awarded prior to January 1, 2018, and can not be applied against tax liabilities before January 1, 2018. No credits can be awarded or initial certifications can be granted after December 31, 2022. Effective upon governor's signature.

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	DECREASE	DECREASE	DECREASE	DECREASE	**$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 Economic Development anticipates a current incentive manager handling the program in its initial pilot period. Heavy subscription, expansion, or extension may require additional resources at some point in the future.
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. 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 bill establishes a five-year program for subsidizing a portion of the construction and equipping costs of qualifying manufacturing projects. The total amount of tax credits that can be awarded by LED over the life of the program is $10 million. It is speculative as to the timing and magnitude of project certifications, credit awards, and ultimate realizations against the state fisc. However, the bill allows credits to be claimed against state tax liabilities no earlier than for tax year 2018, which would place the first possible revenue losses in FY19. As projects work their way through the program, annual revenue losses would likely accumulate over the first few years of the fiscal note horizon.

LED provided a possible distribution of credits over time based on the application and construction timelines of other incentive programs. In this scenario credits begin at $1 million in FY19, then step-up to $4 million in FY20, and then fall off to $3 million and $2 million, in FY21 and FY22, respectively, exhausting the program's total of $10 million of credits. This scenario relies on a slate of projects entering the program shortly after enactment, proceeding through construction and the program smoothly, and ultimately having sufficient tax liabilities available to apply all available credit against. Actual program participation and realizations against the state fisc will differ from any possible scenario, and likely stretch out costs beyond FY22 with the allowed five-year carryforward of credits.

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}

John D. Carpenter

John D. Carpenter
Legislative Fiscal Officer