

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 342** HLS 18RS 879
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 10, 2018 10:08 AM	Author: ABRAMSON
Dept./Agy.: Revenue/Economic Development/CRT	Analyst: Greg Albrecht
Subject: Report on tax incentives	

REVENUE DEPARTMENT EN +\$110,000 GF EX See Note Page 1 of 1
 Changes the deadline for agencies which administer tax incentives to submit reports to the legislature

Present law (RS 47:1571.1, Act 191 of 2013) requires an annual report to be submitted to the legislature by March 1 by each agency administering a tax incentive outlining the purpose and success of each incentive as well as the return on investment, other economic benefits, and any unintended consequences.

Proposed law pushes back the due date of the reports by one month, to April 1 of each even-numbered year, providing reports every two years rather than every year. In addition, each incentive that includes a job creation component shall include the number of employees hired who had Louisiana drivers licenses when hired. In addition, the Dept. of Revenue is required to perform a comprehensive return on investment analysis for all tax incentives with a revenue loss of at least \$1 million in the previous fiscal year. Effective upon governor's signature.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$109,600	\$111,800	\$114,000	\$116,300	\$451,700
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	\$109,600	\$111,800	\$114,000	\$116,300	\$451,700

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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	\$0

EXPENDITURE EXPLANATION

The bill adds an additional analytical requirement on the Dept of Revenue to perform a comprehensive return on investment analysis for all tax incentives with a revenue loss of at least \$1 million in the previous fiscal year. The Dept indicates that there are at least 30 credits and rebates meeting the bill's dollar size threshold. Return on investment analysis can be complex and time consuming, and the bill calls for a "comprehensive" analysis, implying the inclusion of cost effects and even macro-economic effects. Substantial time of any existing personnel could be required to complete these analyses, warranting additional personnel to avoid foregoing other activities. Costs associated with an Economist 1 position could approximate \$110,000 per year (mid-point of salary range plus related benefits, 2% growth assumed). The existing report is being required every two years, but this additional analysis on all relevant incentives may have to be carried out within the year prior to reporting. Such a workflow would likely require additional resources in those alternating years. However, it is unlikely that the required expertise could be brought on only in alternate years. In addition, outside contracting of this analysis is likely to cost more than the addition of a permanent full-time position, especially given the number of such analyses required by the bill.

With regard to the change in the frequency and submittal deadline of the current law reporting, the reduction in the frequency of reporting to every two years rather than every year, and the additional month for completion/submittal of the reports, provides agencies more time to compile and complete the reports in alternating years. This is effectively an opportunity cost reduction for affected agencies, allowing resources to be allocated to other duties in alternating years.

REVENUE EXPLANATION

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

Senate
 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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