

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 444** HLS 19RS 781
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Premium Tax Credits For Investments in Rural Growth Funds	

TAX CREDITS OR -\$112,500,000 GF RV See Note Page 1 of 1
 Establishes the La. Rural Jobs Act Tax Credit Program and authorizes a tax credit for rural growth investments made by rural growth funds
Proposed law provides \$112.5 million of transferable premium tax credits for investments made into rural growth funds, certified by the Dept. of Revenue (75% of \$150 million of capital allowed into the program). The capital/credit allocation to funds will be made beginning October 1, 2019. Tax credits can be claimed against premium tax liabilities evenly over five years. First credit claims can occur in FY22 and last through FY28 (the second year after funds have collected capital through the seventh year after collection capital). Tax credits are transferable to affiliates with premium tax liabilities.

Effective upon governor's signature.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500
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	\$52,500	\$52,500	\$52,500	\$52,500	\$52,500	\$262,500

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$67,500,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	(\$22,500,000)	(\$22,500,000)	(\$22,500,000)	(\$67,500,000)

EXPENDITURE EXPLANATION

The bill makes the Dept. of Revenue the program administrator. The administration of similar programs by the Dept. in the past has required a position dedicated to the program. It is likely that the Dept. will need a position to oversee the application process, credit issuance, and monitoring of the program's various requirements. Salary plus benefits for that position are estimated at \$52,500 per year.

REVENUE EXPLANATION

The bill allows the issuance of \$112.5 million of tax credits after October 1, 2019, and provides that these credits can first be claimed against premium tax liabilities for taxable years in the second anniversary of when the growth funds collect capital. For capital collected in 2019, premium tax liabilities for 2021, filed in FY22, are first affected. The amount of tax credit that can be taken each year is 1/5 of the available credit, or \$22.5 million. Total state revenue losses are \$112.5 million spread over five years (FY22 - FY26).

Annual realization of credit 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 affiliated taxpayers with premium tax liabilities. Thus, it is likely that annual realizations will closely approximate the annual exposures in the table and discussion above.

The bill resembles the New Markets Tax Credit program, which in various versions in past years has been fully subscribed. Thus, it is assumed that the program and credits made available by this bill will be fully subscribed, as well.

Note: When the bill's credits are expected to be realized against premium tax liabilities, collections are projected to be approximately \$1 billion. However, nearly half of these receipts (at least \$480 million) are projected to come from medicaid premiums and are dedicated to the Medicaid Assistance Trust Fund (MATF), providing state match in support of the medicaid program. To the extent insurers paying premium tax on medicaid premiums participate in this bill's credit program, premium tax receipts available to the MATF will be reduced and general fund or other resources will have to be found to support the medicaid program.

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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Legislative Fiscal Officer