

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 444** HLS 19RS 781
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 28, 2019 12:17 PM	Author: MCFARLAND
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Premium Tax Credits For Investments in Rural Growth Funds	

TAX CREDITS RE1 -\$56,000,000 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 \$56 million of transferable premium tax credits for investments made into rural growth funds, certified by the Dept. of Revenue. Premium taxes paid by Medicaid-enrolled managed care organizations deposited into the Louisiana Medical Assistance Trust Fund are not included in 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, beginning with the taxable year containing the 3rd anniversary of the closing date and last through the seventh year after collecting capital. First credit claims can occur in FY23 and last through FY27. 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	\$0	(\$11,200,000)	(\$11,200,000)	(\$22,400,000)
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	\$0	(\$11,200,000)	(\$11,200,000)	(\$22,400,000)

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 \$56 million of tax credits after October 1, 2019, and provides that these credits can first be claimed against premium tax liabilities for taxable years containing the third anniversary of the date when the growth funds collect capital. For capital collected in 2019, premium tax liabilities for 2022, filed in FY23, are first affected. The amount of tax credit that can be taken each year is 20% of the available credit, or \$11.2 million per year. Total state revenue losses are \$56 million, spread over five years (FY23 - FY27).

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 discussed above.

The bill resembles the New Markets Tax Credit program, which in various versions in past years has been fully subscribed, with credit realizations closely approximating the annual amounts allowed. Thus, it is assumed that the program and credits made available by this bill will be fully subscribed and timely realized, as well.

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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