

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SB 240** SLS 21RS 695
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 4, 2021	9:16 PM	Author: LUNEAU
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Limits Utilization of Tax Credits		

TAX/TAXATION EG INCREASE GF RV See Note Page 1 of 1
 Limits the utilization of income and corporation franchise tax credits to total tax liability. (gov sig)

Proposed law provides that various tax credits claimed against income and corporate franchise taxes shall not exceed taxpayer liabilities. Excess credit amounts shall not be refundable, but may be carried forward for five years. Applicable for tax years beginning on or after January 1, 2022.

Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The Department of Revenue indicates that the costs to modify and test tax systems to incorporate the changes provided by the bill for the various affected credits would be approximately \$51,000 of staff time. Additional costs might be incurred if processing equipment and software upgrades are necessary.

REVENUE EXPLANATION

The bill appears to intend to convert currently refundable tax credits to nonrefundable status, resulting in greater net tax receipts. While it is uncertain as to the specific annual effects of the bill, credits are generally refundable, in part, because the annual tax liabilities of recipient taxpayers are typically insufficient for those taxpayers to realize the full benefit of the credit without refundability. The Dept. of Revenue identified 11 currently refundable credits affected by the bill, and reported FY20 amounts of credit claimed in excess of liability. In the aggregate, these credits resulted in approximately \$239 million of refund payments. This bill would presumably prevent this approximate amount of refund payments in future tax periods, resulting in greater net tax receipts. Over 82% of this amount is associated with three of the credits (inventory ad valorem credit, offshore vessel ad valorem credit, and the digital interactive media credit).

State fiscal effects would first occur in FY23 based on the 2022 tax period. Specific annual effects would depend on the annual tax circumstances of tax filers claiming these credits. While annual net receipts gains could be substantial, business tax filers could adjust behavior to shift credits from individual owners of a business to the business entity and still benefit from as much of the credit as possible. In addition, according to the Dept. of Revenue, certain credits can be used by any tax filer within the federal consolidated group of filers that comprises some businesses, which can negate some or all of the non-refundability intent of the bill. Thus, while the bill works to increase net receipts, specific revenue effects in specific fiscal years is less than than FY20 example above, and is largely speculative.

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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