



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 510** HLS 23RS 792
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 6, 2023 4:38 PM **Author:** FARNUM
Dept./Agy.: Insurance/Revenue **Analyst:** Deborah Vivien
Subject: New Markets Premium Tax credit infusion

TAX CREDITS OR -\$22,500,000 GF RV See Note Page 1 of 1
 Provides relative to tax credits and equity investments allocated pursuant to the La. New Markets Jobs Act

Present law variations of this program have provided tax credits against income tax, franchise tax, and premium tax for investments in Community Development Entities (CDEs) organized to participate in the federal New Markets Tax Credit Program. Tax credits are percentages of the investment in a CDE that are used to make subsequent investments in qualified businesses in the state. Credits are nonrefundable but are transferable/saleable. In the last four versions of the program, a total of \$124.75 M of tax credits have been issued with an additional \$41.25 M pending from Act 17 of 2020 ES1.

Proposed law provides an additional \$82.5 M of transferable/saleable premium tax credit (55% of \$150 M of capital allowed into the program). The capital/credit allocation will be made on 8/1/2023, allocating \$150 M of capital and generating total tax credits of \$82.5 M. Associated tax credits can be claimed over four years, beginning in the fourth year after the capital allocation. First credit claims are available in FY 27 and last through FY 30.

EXPENDITURES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
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	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	(\$22,500,000)	(\$22,500,000)	(\$45,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	(\$22,500,000)	(\$22,500,000)	(\$45,000,000)

EXPENDITURE EXPLANATION

When handled by the Department of Revenue in the past, a full-time position was devoted to administering the program. This bill is unlikely to require resources beyond that, and administration is now apparently handled within the Dept of Insurance.

REVENUE EXPLANATION

The bill structures the issuance of \$82.5 M of tax credits in a single allocation on August 1, 2023, and provides that this issue can first be claimed against tax liabilities four years after the credit issuance. Premium tax liabilities for 2027, filed in FY 28, are first affected. The amount of tax credit that can be taken each year is structured to be 15% per year of the credit issuance for three years, then 10% in the fourth year. The State New Markets Tax Credit Programs have typically been fully subscribed. Thus, FY 27 - FY 29 are each exposed to \$22.5 million of revenue loss (15% of \$150 million of total capital each year). Then FY 30 is exposed to \$15.0 million of revenue loss (10% of \$150 million of total capital allowed).

Total state revenue losses are \$82.5 M, spread over four years, but with a delayed effect at the outset of the program.

Annual realization of the credits is limited to the premium tax liability of the holder of the credits. However, the credits are transferable and may be sold to premium taxpayers. Thus, it is likely that annual realizations will approximate the annual exposures in the table and discussion above. In addition, a five-year carry-forward period is allowed for unused credits.

Total tax credits issued and pending under the New Markets Tax Credit program (income, franchise, and premium) have totaled \$166.0 M, prior to the additional \$82.5 million of credit provided by this bill. With this bill, a total of \$248.5 M of tax credits will have been issued through the state's program.

Premium taxes paid by MCOs for Medicaid premiums are not eligible for the credit, thus the MATF will not be impacted.

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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