

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 637** HLS 23RS 107
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 30, 2023 6:37 PM	Author: MINCEY
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Tax Credits: Paid Internships	

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Establishes a tax credit for businesses that invest in certain school programs

Proposed law authorizes a nonrefundable credit against income or corporate franchise tax for businesses that employ eligible students as interns. The amount of the credit shall be equal to the amount paid per internship, up to a maximum of \$2,500 per intern per calendar year. Proposed law specifies requirements for eligible students, including full-time status at a public secondary school and 16 years of age at commencement of internship. The bill authorizes a five-year carryforward of the credit.

Effective January 1, 2024, and applicable to taxable periods beginning on or after that date. Proposed law specifies that credits shall not be granted after December 31, 2029.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW					
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>	<u>\$0</u>
Annual Total						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

Additional LDR expenditures for computer system development and modification, tax form redesign, testing, and administration of a new credit are anticipated. Verification-related expenditures by Tax Compliance may additionally increase, depending on the complexity of verification requirements and the volume of claimants. Specific estimates have not yet been determined at this time of this analysis.

REVENUE EXPLANATION

Proposed law would authorize a credit of up to \$2,500 for amounts paid by certain businesses employing certain interns. To the extent that eligible paid internships are claimed by participating businesses, income and franchise tax collections will be reduced by an indeterminable amount. LFO assumes that "amount paid per internship" includes any benefits and payroll taxes paid by the employer, in addition to wages.

The credit provides a significant incentive to employ paid interns. For an intern whose total costs to the employer amounted to \$15 per hour, the credit would fully reimburse the business for approximately a month of the internship at 40 hours per week. There is no cost cap per employer or limit to the number of interns for which an employer can claim the credit.

Reliable estimates of paid internships are unavailable. For informational purposes, some market research in the public domain estimates imply that approximately 300,000 interns employed nationwide in a typical year, and approximately 61% are paid. Assuming Louisiana's share of nationwide paid internships is similar to its share of nationwide payroll employment, would yield an estimate of approximately 2,300 paid Louisiana internships annually. In a scenario where all interns were employed long enough and/or paid sufficient wages to exceed \$2,500 in employer costs, and assuming that the credit does not cause an increase in paid internships, approximately \$5.8 million in credits would be granted.

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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