LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 495** HLS 23RS 584
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 8, 2023 7:24 PM
Author: DEVILLIER
Dept./Agy.: Revenue
Subject: Reduces Various Tax Deductions and Credits
Analyst: Benjamin Vincent

TAX/INCOME TAX OR +$850,000,000 SD RV See Note
Reduces the amount of certain income tax exclusions, exemptions, deductions, and credits

Proposed law reduces by 50% various tax deductions, exclusions, exemptions, and credits. Major revenue impacts result from the reduction to various corporate tax deductions from income and exclusions to income. Additional material revenue impacts result from reducing credits for ad valorem taxes paid to local governments. Numerous expired credits are repealed. Applicable to tax periods beginning on or after January 1, 2024.

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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	$3,000,000	$16,000,000	$2,000,000	$0	$0	**$21,000,000**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$160,000,000	$702,000,000	$844,000,000	$850,000,000	$850,000,000	**$3,406,000,000**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$163,000,000**	**$718,000,000**	**$846,000,000**	**$850,000,000**	**$850,000,000**	**$3,427,000,000**

EXPENDITURE EXPLANATION

Administrative expenses to phase out corporate taxes and applicable exemptions, deductions, and credits have not yet been estimated. LFO anticipates a material impact on expenditure to accommodate numerous modifications to credits, exemptions, deductions, and exclusions. Multiple additional personnel would likely be required.

REVENUE EXPLANATION

Proposed law repeals numerous inactive credits, and reduces numerous credits, deductions, exemptions, and exclusions. Affected provisions appear to primarily impact credits against corporate income and franchise tax (CIFT), however many credits also are applicable against individual income tax.

Anticipated revenue impacts of a previous version of this bill was estimated by LDR by recalculating 2018 electronically filed corporate income tax returns (73%) before credits with the bill’s deduction and exclusion provisions, and scaling the results up to all returns. This generated an 82.5% increase in tax table liability, or $1.058 billion. Filing patterns translate the tax year liability change into fiscal year receipts changes of $190 million in the initial year (18%), $952 million in the second year (90%), and $1.058 billion in the third and subsequent years (100%). Affected credits prior to the bill’s provisions were applied, and then the reduced amount of credits was added back. The net result of approximately $850 million on a fiscal year basis is reflected in the revenue table above. FY24 is first affected through likely changes in estimated payments due in the January-June 2024 period for the tax year 2024 changes.

Of the revenue increase estimated above, most is generated by the cut to deductions from income and exclusions from income, with the balance attributable to the reduction of credits, and these are largely associated with the credits for ad valorem taxes paid to local governments. Many of the credits referenced in the bill have little or no utilization, and LDR did not incorporate any effect from a number of economic development credit programs since there is typically a time lag from when credits are earned and when they are claimed. Thus, over time, the net revenue gains of the bill could exceed those estimated above.

CIFT collections above $600 million are dedicated to the Revenue Stabilization Fund. Virtually all of the increased collections due to proposed law are assumed to be under CIFT, reflected in the table above as primarily increases to Dedicated Funds revenues, rather than State General Fund revenues.

Senate	Dual Referral Rules	House
[ ]	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	[ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x]	13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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