



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 622** HLS 23RS 1279
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

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Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Net Operating Loss Deduction Carryforward Expansion	

TAX/CORP INCOME OR -\$19,000,000 GF RV See Note Page 1 of 1
 Increases the net operating loss deduction allowed for tax year 2023 and thereafter

Current law limits the utilization for a taxable year of net operating loss deductions to 72% of the taxpayer's accumulated net operating loss carryforwards to the taxable year, and to 72% of the taxpayer's net income for the year.

This note reflects a bill posture in which House Ways & Means Committee amendment set #2876 is adopted.

Proposed law increases the amount of carryovers allowed to be utilized in any taxable year to 80% of accumulated carryforwards, and 80% of the taxpayer's Louisiana net income.

Applicable to tax years beginning on or after January 1, 2023.

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	\$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

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$3,000,000)	(\$15,000,000)	(\$19,000,000)	(\$19,000,000)	(\$19,000,000)	(\$75,000,000)
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	(\$3,000,000)	(\$15,000,000)	(\$19,000,000)	(\$19,000,000)	(\$19,000,000)	(\$75,000,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur some tax system modification costs to incorporate the change provided by this bill. Typically, these costs are reflected in several thousand dollars of IT staff time.

REVENUE EXPLANATION

The Dept. of Revenue recalculated 2020 corporate income tax (CIT) returns that claimed net operating loss deduction under the bill's 80% deduction allowance versus the 72% allowance in current law. The difference of \$19 million reflects the revenue loss for a given tax year. This annual liability loss has to be translated to fiscal year effects recognizing the typical filing patterns of firms with CIT liabilities (18% in the immediate fiscal year, 72% by the second fiscal year, and 10% by the third fiscal year).

This staggered effect causes a ramp-up in annual revenue loss over three fiscal years such that the revenue loss in FY24 is \$3 million, in FY25 \$15 million, and \$19 million per year in FY26 and beyond. The bill is first effective for tax year 2023, thus the first fiscal year of impact is FY24.

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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