



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 618** HLS 23RS 929
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 6, 2023	12:39 PM	Author: WILLARD
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Tax Credits: Taxes Paid to Other States		

TAX CREDITS EN +\$39,000,000 GF RV See Note Page 1 of 1
 Provides with respect to the credit and the deduction for taxes paid to other states

Current law authorizes a nonrefundable credit against income taxes paid to another state, limited to the amount of Louisiana income tax that would have been imposed if the income earned in the other state had been earned in Louisiana. The credit is not allowed for income taxes paid to a state that allows nonresidents a credit against the income taxes imposed by that state for taxes paid or payable to the state of residence. The credit is calculated by multiplying a taxpayer's Louisiana income tax liability by a ratio, the numerator of which is the taxpayer's Louisiana tax table income (TTI) attributable to other states on which tax has been paid, and the denominator of which is the taxpayer's total Louisiana TTI. Current law provides a June 30, 2023 expiration for the provisions limiting the credit to the ratio of TTI attributable to other states to total LA TTI. Current law additionally provides a deduction for certain entity-level taxes paid to other states.

Proposed law repeals the expiration of temporary provisions, and clarifies that the deduction authorized for certain entity-level taxes shall only be used in lieu of the credit. Effective upon governor's signature, applicable to taxable 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.	\$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	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$22,000,000	\$38,000,000	\$39,000,000	\$39,000,000	\$39,000,000	\$177,000,000
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	\$22,000,000	\$38,000,000	\$39,000,000	\$39,000,000	\$39,000,000	\$177,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

LDR reports that the applicable temporary provisions in current law have reduced the amount of credits granted by an average of approximately \$39 million annually over the last several years. The provisions limiting the credit expire at the end of FY23, and will be of no effect in FY24.

Proposed law permanently extends existing limitations of the credit, increasing revenue collections in all years by approximately \$39 million. Based on historical filing pattern of taxpayers utilizing this credit, 55% claim the credit in the first year, 42% claim in the second year, and the remaining 3% claim in the third year. This ramp-up for every year is reflected in the table above.

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}

Deborah Vivien
 Chief Economist