



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 145** HLS 25RS 497
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 1, 2025	1:20 PM	Author: WILDER
Dept./Agy.: Dept. of Revenue		
Subject: Income Tax Deduction: Construction Retrofitting		Analyst: Noah O'Dell

TAX/INCOME TAX

EG1 DECREASE GF RV See Note

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Increases the maximum amount of the construction code retrofitting deduction and expands the deduction to cover costs associated with "fortified home" standards compliance

Current law provides for a construction code retrofitting (CR) income tax deduction for 50% of costs paid by a taxpayer to voluntarily retrofit an existing residential structure (with a homestead exemption) to bring it into compliance with the State Uniform Construction Code. The amount of the deduction is capped at \$5,000 per qualifying structure. Rental property and the value of costs paid from state, municipal, or federal incentives do not qualify for the deduction. Taxpayers claiming the deduction for a fortified roof may only claim the deduction for amounts in excess of any Fortify Homes program grants.

Proposed law doubles the maximum amount of the existing CR deduction from \$5,000 to \$10,000 per structure, requires the Louisiana State Uniform Construction Code Council to certify work completed by taxpayers complies with the State Uniform Construction Code, and expands the eligible expenses qualifying for the CR deduction to include retrofitting a homestead exempt residential structure to the fortified home standards of the Insurance Institute for Business and Home Safety (IIBHS). Effective January 1, 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$170,854	\$127,317	\$130,691	\$134,165	\$137,744	\$700,771
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The Dept. of Public Safety has indicated that the Uniform Construction Code Council does not have a full-time staff and the provisions in proposed law would require the Office of the State Fire Marshal to hire one full-time staff person (indicated as an Architect 3) to ensure the work completed complies with the uniform construction code. LFO cannot corroborate whether an individual with this qualification would be necessary to perform this function. To the extent an alternate job title may be sufficient to carry out these provisions, the cost may be less than that indicated. LFO assumes... **CONTINUED ON PAGE 2**

REVENUE EXPLANATION

The bill is anticipated to decrease SGF revenue beginning in FY27 when 2026 tax returns are filed as the bill increases the maximum deduction for current qualified residential improvements from \$5,000 to \$10,000 and adds projects retrofitting to the fortified home standards of the Insurance Institute for Business and Home Safety (IIBHS), which extend beyond fortified roof. The magnitude of the SGF revenue loss is indeterminable due to the unknown number of claimants who may voluntarily retrofit residential structures with the newly expanded criteria of the fortified home standards, the doubling of the existing deduction, or potential exogenous insurance incentives.

Doubling the existing deduction

LDR reports negligible revenue loss in FY23 and about \$12,000 in forgone taxes in FY24 under the existing CR deduction. Using the 2024 data at the 2025 tax rate of 3% and increasing the maximum deduction to \$10,000, this would result in a additional revenue loss under \$10,000. This assumes the current level of taxpayers claim the deduction moving forward. Should additional retrofits take place due to the higher deduction, this would work to further increase SGF revenue loss.

Adding IIBHS fortified home standards

It is not clear if or how many taxpayers would voluntarily retrofit residential structures into compliance with the newly expanded criteria of the fortified home standards or due to the doubling of the maximum deduction. The Louisiana Fortified Home Program (LFHP) and the Office of Property and Casualty (OPC) report there are different levels of fortified homes standards (Fortified Roof, Fortified Silver, and Fortified Gold) established by IIBHS which vary in costs but appear to qualify for the deduction under the bill. However, LFHP and OPC do not have the data or building code expertise to provide an estimate or cost analysis associated with the bill. Of note, taxpayers may have to pay between \$275-\$600 to certain certified evaluators to obtain the necessary certification documentation from the IIBHS. Given the recent rise in popularity of fortified homes, LFO anticipates a number of taxpayers each year will likely claim the deduction associated with roof fortification, in the absence of other tax incentives or grant availability. These factors, along with potential insurance incentives, leave LFO unable to form the basis for an exact estimated revenue impact of the bill, which may be material.

Note: The SGF impact may originate as the LDR retention of 1% of income tax collections initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact.

Senate	Dual Referral Rules	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Deborah Vivien
Chief Economist



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CONTINUED EXPLANATION from page one: Page 2 of 2
this would be an eligible expense out of the Fire Marshal Fund, as are the current operations of the Uniform Construction Code Council. If this is inaccurate, this may create a state general fund obligation. The following estimated costs are associated with the Architect 3 to certify expenditures submitted by taxpayers to the Uniform Construction Code Council comply with the state’s uniform construction code. OTS has indicated one-time costs of \$46,812 in FY 26 to implement changes needed to the vendor solution as well as recurring annual maintenance costs of \$1,038.

EXPENDITURES REPORTED BY THE DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Architect 3 - Salary & Related Benefits	\$122,404	\$125,679	\$129,053	\$132,527	\$136,106
Operating Expenses	\$300	\$300	\$300	\$300	\$300
Office Supplies	\$300	\$300	\$300	\$300	\$300
OTS Equipment and Annual Billing	\$47,850	\$1,038	\$1,038	\$1,038	\$1,038
Total Expenditures	\$170,854	\$127,317	\$130,691	\$134,165	\$137,744
T.O.	1	1	1	1	1

The Department of Revenue (LDR) is anticipated to incur estimated costs of \$13,100 SGR in FY27 related to computer system development, modification, and testing to update the edits on resident and nonresident tax returns. The department reports the ability to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.