LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 696** HLS 13RS 1482

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2013 5:07 PM **Author:** MONTOUCET

Dept./Agy.: Revenue

Subject: Reduce Various Tax Credits **Analyst:** Greg Albrecht

TAX/INCOME TAX OR +$47,000,000 GF RV See Note

Reduces the amount of certain tax credits beginning January 1, 2014, for income tax credits and January 1, 2015, for corporate franchise credits

Proposed law reduces by 5% the amount of credit earned or granted for a variety tax credits provided in references to title 47 of the revised statutes. For those applicable against the income tax, the reduction is effective January 1, 2014. For those applicable against the franchise tax, the reduction is effective for taxable periods beginning on January 1, 2015. In addition, a number of tax credits are repealed.

Applicable for income tax years beginning on and after January 1, 2014, and all corporation franchise tax years beginning on and after January 1, 2015.

Effective January 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	$0	$47,000,000	$47,000,000	$47,000,000	$47,000,000	**$188,000,000**
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$47,000,000**	**$47,000,000**	**$47,000,000**	**$47,000,000**	**$188,000,000**

EXPENDITURE EXPLANATION

There would be one-time expenses by the Revenue Department to modify tax forms and processing systems to accommodate the reduction in each of these credits. These types of modifications typically involve $20,000 - $40,000 of workload costs, plus additional taxpayer inquiries and guidance. Costs might be somewhat higher in this case since numerous credits are affected, and more taxpayer inquiries are likely.

REVENUE EXPLANATION

The applicability/effectiveness language of the bill appears to reduce credits beginning with income tax year 2014 and franchise tax year 2015. The first fiscal year of reduced credits would then be FY15 when the 2014 tax year returns are filed in the spring of 2015 (for franchise tax as well since it is paid in advance). The bill appears to affect over 40 tax credits. To get a feel for the potential revenue effect of the bill, fiscal year realizations of those credits were reviewed from the Revenue Department's Tax Exemption Budget and other department reports of specific credit histories. This exercise results in an approximation of total credit costs in FY14 and beyond of some $918 million. A 5% reduction in this total would be some $47 million (including the few small credits totally repealed by the bill).

While the bill affects numerous credits, the bulk of the dollars involved are associated with only a few credits. For example, about 45% of the total is attributable to the credit that reimburses firms for local property taxes paid on inventories. That share increases to 53% when the other similar ad valorem tax credit reimbursements are included (offshore vessels, land-line telephone companies, and natural gas storage facilities). The motion picture tax credits make up 25% of the total, the Citizens Insurance assessment 5%, historic structure rehabilitation 4%, solar electric/heating systems 2%, and New Markets tax credits 1%. All other affected credits make up the 10% balance of the total.

NOTE: The $47 million estimate above is only meaningful if the bill intends to reduce credit benefits claimed on income tax year 2014 and franchise tax year 2015 returns, and beyond, regardless of when the activity that generated the credits occurred or when the credits were received by the taxpayer. If the application of the bill is to reduce credit amounts generated in tax year 2014 & 2015 and beyond, then the amount of revenue to be gained is significantly smaller each year but would accumulate annually participants flowed into each program at the reduced credit level of the bill. In addition, the estimate assumes all components of a benefit are reduced; credit, rebate, buyback etc.

Activities that generate tax credits can vary from year-to-year, and consequently the actual revenue associated with a reduction of the credits will vary.

Senate — Dual Referral Rules — House

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

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