

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 688** HLS 13RS 1539
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 17, 2013 4:34 PM	Author: JOHNSON
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Tax Credit For Essential Service Business	

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Provides a credit against income and corporation franchise tax liability to certain businesses which offer essential services during emergency situations

Proposed legislation provides a tax credit against income or corporation franchise taxes to businesses which offer essential services for qualified expenses made in preparation for the business to remain open to serve the public during and immediately after an emergency situation or natural disaster. The amount of the tax credit for qualified expenses of less than \$20,000 shall be equal to the lesser of the actual amount expenses or \$5,000. Expenses in excess of \$20,000 are eligible for credit equal to the lesser of the actual expenses or \$25,000. Credits are nonrefundable but can be carried forward for ten years. Eligible entities provide services necessary to protect the health, welfare, and safety of the public, and include gas stations, pharmacies, grocery stores, hospitals, and network or radio broadcasting stations. Eligible expenses include generators, weatherproofing, window coverings, necessary supplies, and employees. The Business must stay open for the duration of the emergency in order to claim the credit. Effective upon governor's signature.

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	<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	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

A specific estimate of the likely amount of state revenue lost or even the state's revenue loss exposure from this proposal is not possible to determine, although the number of potentially eligible businesses is large. The eligibility requirements outlined within the bill are for businesses that provide essential services such as gas stations, pharmacies, grocery stores, hospitals, and network or radio broadcasting stations; although other types of businesses may be able to qualify. According to the Louisiana Workforce Commission's Third Quarter Statewide Employment Data for 2012 (latest information), there are: 157 - broadcasting employment units in the state, 414 - hospitals, 2,490 - gas stations, 2,238 - food & beverage stores. The total number of these enumerated businesses in Louisiana that are eligible for this credit is over 5,000, and there could be other businesses that might be eligible under this bill.

In addition, eligible expenditures could be large, as well, since they include not only relatively infrequent purchases such as generators (up to \$25,000 or more for one to sustain a small business operation, and much larger for facilities such as hospitals) and weatherproofing, but possibly the payroll of employees on the job during the emergency.

The degree to which any business would remain open during mandatory evacuation periods or gubernatorially declared disasters, and the associated expenses claimed for credit is speculative. However, the number of potentially eligible businesses and the nature of the eligible expenditures suggests state revenue losses could be significant if this credit was relatively well utilized.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S} |
| <input checked="" 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} |

John D. Carpenter
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