

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 122** SLS 13RS 356
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Economic Development / Revenue **Analyst:** Greg Albrecht
Subject: Port Investor Tax Credit / Import Export Cargo Tax Credit

TAX/TAXATION RE DECREASE GF RV See Note Page 1 of 1
 Makes changes to both the Investor Tax Credit and the Import Export Cargo Credit of the Ports of Louisiana Tax Credit Program and provides a new termination date for the credit. (8/1/13)

Current law provides a nonrefundable (10 year carry over) Port Investor Tax Credit equivalent to 5% per year of the total capital costs of qualifying port infrastructure projects, for a twenty-year period (essentially reimbursing total costs over 20 years). Projects must be at least \$5 million in size and constitute industrial, warehousing, or port and harbor operations and cargo handling. No credits can be granted after January 1, 2017. Also provides a nonrefundable (5 year carry over) Import Export Cargo Tax Credit of \$5 per ton of cargo shipped through LA ports. Qualified cargo is any containerized or break-bulk cargo (including offshore drilling platforms and equipment) that is carried by oceangoing vessels through a LA public port to/from a manufacturing, fabrication, assembly, distribution, processing, or warehousing facility in LA. This credit has no sunset date. Both credits require approval of the Joint Budget Comm and the Bond Comm and certification by the commissioner of administration that sufficient revenue is available to the state to offset the costs of the credits. Proposed law (1) expands investor credit to ship building/repair and oil & gas support activities, (2) lowers minimum project size to \$1.5 million, (3) excludes industrial projects and bulk liquid/gas facilities (4) modifies revenue neutrality requirement, (4) applies \$2.5 million per project and \$12.5 million per year credit limits to both the infrastructure and cargo components (5) subjects the cargo credit to a sunset date of 1/1/20, (6) requires rules to be promulgated by March 31, 2014, and (7) prohibits JLCB approval earlier than July 1, 2014.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						
REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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

While current law explicitly prohibits LED from hiring additional employees to implement these two programs, the bill may make it easier to participate and expands eligibility. Administrative costs are likely. Depending on the number of participating projects for the investor credit, the number of certifications for the cargo credit, and the calculation of credit amounts additional resources will likely be required in LED in order to not hinder other operations and programs of the department. The cost equivalent of each additional position is approximately \$75,000 per year.

REVENUE EXPLANATION

The Ports Tax Credit Program is essentially a capital outlay program for the state's port system. Capital projects are paid for by the state over 20-year periods and extra payments are made on cargo flows (both via state tax credits). It has been difficult to meet the "revenue neutrality" requirements in current law, and no projects have been approved by LED to date. The bill increases the state's cost exposure by expanding the types of projects eligible to include ship building/repair and oil & gas support operations, and by lowering the project size threshold to \$1.5 million (from \$5 million). Project approval may be made easier by modifying the revenue neutrality requirement, but JLCB approval is still required. The infrastructure component cost exposure may be limited somewhat by a per project limit of \$2.5 million per year, and a total credit issuance limit of \$12.5 million per year. Language is included that subjects the cargo component to these same limitations, but it is not clear if each component has separate \$2.5m/\$12.5m credit limits or if both components are limited within a single \$2.5m/\$12.5m limit.

While specific annual tax credit exposure and realization can not be projected with a reasonable degree of confidence, should the programs be utilized, state cost exposure would likely have a base value associated with the annual flow of cargo (possibly as large as \$12.5 million per year), and an accumulating infrastructure component as projects are completed, with a possible maximum accumulation rate of \$12.5 million per year.

LED indicates that ports anticipate sizable private investment over the next five years (for example New Orleans \$30 million, Fourchon up to \$300 million, Lake Charles \$22 million (bulk liquid/gas facilities have been excluded from the bill), and the DOTD priority program is currently \$78 million (this tax credit program is a possible substitute financing source). The Department of Economic Development will be responsible for determining what expenditures in any project meet the conditions of the program and are eligible for tax credit. Metrics on the cargo tax credit component are typically reported as 700,000 annual eligible tons of containerized cargo (\$3.5 million per year in tax credit exposure) plus offshore drilling platforms & equipment, with an additional 900,000 annual tons that could be shifted to LA ports over time.

Neither of these credits can be approved by JLCB until after July 1, 2014, putting the first cost to the state fisc into FY15 from the cargo credit and smaller infrastructure projects.

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

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