

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 465** HLS 14RS 1085
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 24, 2014 12:07 PM	Author: BROADWATER
Dept./Agy.: LA Tax Commission	Analyst: Greg Albrecht
Subject: Bank Stock Ad Valorem Taxation	

TAX/AD VALOREM TAX OR SEE FISC NOTE GF RV Page 1 of 1
 Provides with respect to ad valorem taxes on shares of bank stock

Current law exempts banks from the state corporate income tax if a tax is imposed on the shares of bank stock. Bank stocks are subject to ad valorem taxation, and assessed valuation is determined by the Louisiana Tax Commission.

Proposed law effectively eliminates the ad valorem tax on bank stock if the state corporate income tax is repealed. The bill requires the Legislature to provide for this tax elimination by obligating the state to provide full reimbursement to all banks paying the tax, or by obligating the state to pay local governments directly for the full amount of taxes collectible, or by repealing the tax on bank stock, or by adopting any other arrangement agreed to by state and local government that results in banks being relieved of the tax on bank stock.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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	\$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>	<u>\$0</u>
Annual Total						

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	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	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

An explicit state expenditure impact associated with this bill depends on (a) repeal of the state corporate income tax and, (b) the legislature opting to make direct reimbursement to banks or local governments as the mechanism for implementing the bill.

REVENUE EXPLANATION

The bill by itself does not eliminate the ad valorem taxation of bank stock. Thus, the bill by itself does not have a fiscal impact on state or local government finances.

However, the bill does contemplate the effective elimination of ad valorem taxation of bank stock, if the state corporate income tax is repealed. Should that occur, current data on the assessed value of bank stock and parish millages, from the 2013 Annual Report of the Louisiana Tax Commission, indicates that approximately \$71 million of tax would be affected.

Depending on how the Legislature complied with the bill, this amount would be reflected as an explicit state expenditure (direct reimbursement payment to banks or local governments), as an implicit state expenditure (state tax credits granted to banks, presumably refundable credits), or as a direct loss of local tax collections (repeal of ad valorem tax on bank stock).

Actual dollar amounts of tax affected would depend on assessed values and parish millages in effect at the time in the future when the provisions of this bill might be implemented.

In addition, the Tax Commission receives self-generated revenue based on the assessed value of the various properties that it assesses itself. Bank stock is one of the properties assessed by the Commission. Should implementation of the bill result in this assessment duty no longer being necessary, the Commission would lose some \$90,000 - \$95,000 per year of revenue.

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| Senate | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input checked="" type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & 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
Legislative Fiscal Officer