LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 727** HLS 15RS 1267
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 4, 2015 6:42 PM **Author:** HUNTER
Dept./Agy.: Revenue
Subject: Reduces Selected Tax Credits **Analyst:** Greg Albrecht

TAX CREDITS OR +$11,000,000 GF RV See Note
Reduces certain income and corporation franchise tax credits

Proposed law reduces a variety of tax credits by 20% each. The affected credits are for: hunting/fishing licenses for service personnel, family independent work employment, recycling equipment, ad valorem taxes paid on inventory and on offshore vessels, film production, capco credits, technology commercialization, and equipment modernization. These credits are taken against the personal and corporate income tax and the franchise tax.

The bill is effective July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	$11,000,000	$108,000,000	$126,000,000	$139,000,000	$150,000,000	**$534,000,000**
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	**$11,000,000**	**$108,000,000**	**$126,000,000**	**$139,000,000**	**$150,000,000**	**$534,000,000**

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes (typically a few thousand dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. However, this bill changes a variety of credits, and system modification costs will be consequently greater.

REVENUE EXPLANATION

Based on recent claims reported in the Department of Revenue FY14 Tax Exemption Budget (TEB), a 20% reduction in the credits modified by this bill amounts to approximately $150 million currently. A number of the affected credits have very small or no recent claims, with the bulk of the estimate associated with the credits for ad valorem taxes paid on inventory and offshore vessels, and for film production costs.

The bill is effective July 1, 2015 and does not specify tax years of applicability. The fiscal note assumes that all tax periods starting on or after July 1, 2015 will be affected. Since the fiscal year values reflected in the TEB are the result of numerous tax period returns received in a fiscal year, the first year effect of this bill is likely to be relatively small because it is typical for only a small portion of the returns received in any fiscal year, specially involving business income and credits, to be attributable to the immediately preceding tax year. The second fiscal year effect is larger because two preceding tax years of returns will have been affected by the bill's credit reduction. The fiscal year effect ramps over time as more and more of the returns received in a fiscal year are from tax periods affected by the credit reduction.

Since the credits targeted by this bill are dominated by the ad valorem credits, the analysis provided by the Department of Revenue detailing the distribution of tax year returns in fiscal year filings for these credits is utilized to ramp up the effect of the bill across fiscal years. That distribution suggests 11% effect in FY16, 95% in FY17, and the balance of effect in FY18 and beyond. The film production credit is also large and will not have its effects fully felt over time as well, and is ramped up in the fiscal note evenly over four years starting with FY17.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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