



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 629** HLS 15RS 1016
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 10, 2015 5:01 PM	Author: JACKSON
Dept./Agy.: Revenue/Economic Development	Analyst: Deborah Vivien
Subject: Reduces credits and incentives by 20% for all claims 7/1/15	

TAX CREDITS RE +\$213,000,000 GF RV See Note Page 1 of 1
 Reduces income and corporation franchise tax credits

Proposed law reduces certain income and franchise tax credits by 20% beginning with all forms filed on or after July 1, 2015. Proposed law also reduces certain tax incentives by 20% beginning with all claims filed on or after July 1, 2015. Major categories of tax credits include the inventory credit for all but telecommunications property, the solar credit, net income paid to other states credit, the citizens assessment credit, and the education credit, among many others. Tax incentives in the bill are the entertainment incentives including film and digital media, research and development, angel investor, ports of LA, export/import cargo, brownfields, technology commercialization, green jobs credit and others.

EXPENDITURES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
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	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$213,000,000	\$217,000,000	\$221,000,000	\$226,000,000	\$230,000,000	\$1,107,000,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$213,000,000	\$217,000,000	\$221,000,000	\$226,000,000	\$230,000,000	\$1,107,000,000

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 (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. The implementation and timing of provisions in the bill could require substantial resources given the nature of the changes.

REVENUE EXPLANATION

The bill is expected to increase SGF by about \$213M in FY 16 as the numerous income and franchise tax credits as well as tax incentives are cut by 20% beginning with all claims filed on or after 7/1/15, increasing by an estimated 2% over the fiscal note horizon. This estimate uses an expeditious method by taking 20% of the Tax Exemption Budget figures for the the numerous credits and incentives included in the bill. Without a high degree of confidence with regard to actual collections that may occur, this method gives the results below:

	FY16	FY17	FY18	FY19	FY20
Corporate Income Tax	\$106,223,800	\$108,348,276	\$110,515,242	\$112,725,546	\$114,980,057
Individual Income Tax	43,531,800	44,402,436	45,290,485	46,196,294	47,120,220
Franchise Tax	249,800	254,796	259,892	265,090	270,392
Total Tax Credits	\$150,005,400	\$153,005,508	\$156,065,618	\$159,186,931	\$162,370,669
Tax Incentives	62,652,200	63,905,244	65,183,349	66,487,016	67,816,756
Total Impact	\$212,657,600	\$216,910,752	\$221,248,967	\$225,673,947	\$230,187,426

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