

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 281** SLS 15RS 362  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 30, 2015	9:44 AM	<b>Author:</b> CORTEZ
<b>Dept./Agy.:</b>		<b>Analyst:</b> Drew Danna
<b>Subject:</b> Tax credit for biomass crop recovery		

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1  
 Provides for tax credits to landowners that require lessees of Louisiana property to use 100% biomass crop recovery for the term of the lease. (8/1/15)  
Proposed law allows a credit against income or corporate franchise taxes at a rate of \$100 per acre leased if the lessee is required to engage in biomass recovery for 100% of the waste produced by growing sugar cane on the leased land. The credit shall not exceed the annual value of the lease.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

The Department of Revenue will incur costs involved in modifying its systems dealing with the corporate franchise tax. Taxpayer education and compliance support expenses may also be incurred. These costs should be minor (typically several thousand dollars) and one-time in nature.

**REVENUE EXPLANATION**

The proposed bill will result in an indeterminable decrease in State General Fund revenue as the proposed bill provides for a \$100 per acre leased income tax or corporate franchise tax credit for biomass recovery of sugar cane waste from leased land.

According to the American Sugar Cane League, over the past 10 years there has been an average of 390,000 acres of sugar cane harvested for sugar production in Louisiana. Of the 390,000 acres, approximately 75% (293,000 acres) is leased to farmers and therefore may be eligible for the proposed tax credit. Providing for 293,000 acres with a \$100 per acre credit, the proposed legislation could reduce revenue by approximately \$29 M per year, which represents a maximum state revenue loss exposure. This bill does limit the state's exposure by providing that the credit not exceed the annual value of the lease, which would reduce the \$29 M state revenue loss exposure. Of the approximately 293,000 of acres leased annually, the annual aggregate value of the lease is unknown at this time.

Biomass recovery entails the removal and reuse of waste created during sugar cane harvesting which is repurposed for various activities, primarily in the field of biofuel development. Credit realizations are likely to be less than the maximum exposure above but, presumably, there are currently eligible leases or these types of leases will become more common place in the future. While the Legislative Fiscal Office has been unable to obtain information regarding leases requiring biomass recovery of the waste associated with sugar cane, the bill can only work to decrease net state tax receipts. It will only take participation in this credit by 1.7% of leased acreage for state costs to equal \$500,000.

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

**Gregory V. Albrecht**  
**Chief Economist**