LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 98** HLS 161ES 162
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 24, 2016 12:12 PM
Author: MORRIS, JAY
Dept./Agy.: Revenue
Subject: Amends Act 125 of 2015 - Tax Credits
Analyst: Greg Albrecht

TAX CREDITS OR INCREASE GF RV See Note

Amends Act No. 125 of the 2015 Regular Session of the Legislature to provide relative to income and corporation franchise tax credits (Item #10)

Act 125 of 2015 reduced numerous tax credits by 28% for returns filed between July 1, 2015 and June 30, 2018, and provided varying treatment of certain returns and credits.

The major amendments to Act 125 provided by this bill are to remove the three year expiration provision, and to prohibit the aggregate amount of tax credits from reducing corporate tax liabilities to less than 25% of the liability before the application of the tax credits.

Effective upon governor's signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Under this bill, state revenue will increase in FY 18 and beyond as credit reductions adopted in Act 125 of the 2015 Regular Session of the Legislature are made permanent for all returns filed after June 30, 2018, regardless of the tax year. The impacts in FY 18, 19, and 20 will still be subject to the three year recoupments ending in FY 20.

While time constraints preclude the generation of new revenue estimates for the various provisions contained in Act 125, it is certain that making the Act permanent will increase state receipts beginning in FY 18 above what they would otherwise be throughout the remainder of the fiscal note horizon. Estimated net revenue gains associated with Act 125 were in the range of $30 million to $35 million per year, and will be retained by this bill once the recoupment provisions have terminated.

The bill also limits the reduction of corporate tax liabilities that result from the utilization of all tax credits authorized in Titles 47, 25, and 51 of the revised statutes such that corporate tax liabilities are at least 25% of what they would be before claiming of the credits. Is is assumed that this change affects tax returns first filed for the 2016 tax year in the spring of 2017. The Department of Revenue made some rough calculations based on nonrefundable and refundable credit claims reported in the Tax Exemption Budget, and arrived at estimated increases in tax liabilities in the range of $420 million and $450 million per year. More accurate estimates would require more extensive simulation programming than time currently permits. Tax liability increases and consequent tax receipt increases would likely accumulate to this range over a three year period assuming corporate tax return filing patterns are unaffected. That phase-up may be 5% in the first year, 84% in the second, and near 100% by the third year.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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