

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 106** HLS 161ES 275
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 25, 2016 4:55 PM	Author: IVEY
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Add Back Certain Deductible Items on Corporate Returns	

TAX/INCOME TAX EG INCREASE GF RV See Note Page 1 of 1
 Requires that certain deductible items be added-back on certain corporate income tax returns (Item #5)

Proposed law requires that certain otherwise deductible interest expenses and costs, and intangible expenses and costs, and management fees be added back to a corporations computation of its Louisiana net income. The bill provides for various conditions and exceptions that determine the expenses and costs to be added back.

Applicable to all tax years beginning on or after January 1, 2016.

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	<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	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

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 such as this and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

By requiring corporate tax filers to add back various deductions to their state tax returns, the bill will result in greater net income subject to Louisiana corporate income taxation, and an increase in net corporate tax receipts. Since the bill is applicable to tax years beginning on or after January 1, 2016, it is likely that some compliant returns will be filed in FY17 (due May 15 2017), and some additional revenue will be received in FY17. However, complex corporate returns are filed with extension and reconciling tax receipts received in the following fiscal year (November). Thus, additional tax receipts in FY17 are likely to be relatively small, with a larger gain in receipts in FY18 as extended returns for tax period 2016 catch-up and a greater share of 2017 tax year returns comply. Fiscal year receipt gains will eventually settle into a normal level reflecting filings by May 15 of each year and filings under extension by November of each year.

The Department of Revenue does not electronically capture the return information necessary to quantify an estimate of the likely fiscal effect of the bill. The Department attempted to manually examine some of the top 200 returns to get a feel for the possible magnitude of effect. That process did not result in information sufficient to generate an estimate of the bill's effect.

Senate Dual Referral Rules House

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| <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 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
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Legislative Fiscal Officer