LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 174** SLS 17RS 351
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 14, 2017 1:29 PM
Author: MORRELL
Dept./Agy.: Revenue
Subject: Provides for deduction of individual/corporate income tax
Analyst: Alan M. Boxberger

TAX/TAXATION OR DECREASE GF RV See Note

Provides for a deduction for individual and corporate income tax for certain disaster payments. (gov sig)

Present law provides a deduction from state individual and corporate income tax for benefits received from a hurricane recovery entity.

Proposed law broades the deduction to include disaster benefits received from any state or federal agency or recovery authority.
Proposed law provides for a transition rule to allow taxpayers who received disaster recovery benefits in 2016 to amend their 2016 tax returns if the benefits were included in taxable income.

Effective upon governor's signature.

EXPENDITURES	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	$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**

REVENUES	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and taxpayer 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.

REVENUE EXPLANATION

Proposed law could result in an indeterminable but possibly significant reduction of income tax revenues. Proposed law seeks to amend allowable deductions for individual and corporate taxpayers to broaden the deductions allowed to include disaster benefits received from any state or federal agency, or from any recovery authority. The deduction is only allowed if the benefit is included in the tax table income for individuals or in gross income for corporations. For corporate taxpayers, the proposed law eliminates the 72% limitation on these benefits and allows a full 100% deduction to arrive at taxable income.

Proposed law shall apply to all taxable periods beginning on or after January 1, 2016. In the event a disaster recovery benefit was included in a taxpayer's 2016 income subject to taxation, the taxpayer may file an amended 2016 return to claim the full value of the proposed deduction of benefits, resulting in refund payments from current state tax collections.

The Louisiana Department of Revenue reports that it is unable to estimate the potential impact to the state fisc, as there is not currently a reporting requirement for this data. However, given the economic and associated personal and corporate property losses realized as a result of severe flooding events in 2016, proposed law could result in a significant decrease in income tax collections to the extent that proposed law broadens deductions for benefits included in tax table income for individuals and gross income for corporations.

For informational purposes: the Office of Community Development reports that current estimates of disaster relief payments that will likely be made directly to taxpayers for the flooding events of 2016 may exceed $965 M over a two year period, some portion of which will be reported as taxable income under present law. The state's average effective income tax rate of 3.4% implies a maximum exposure to income tax collections of over $32 million from these payments.

Proposed law is prospective, and future declared disasters that result in benefits from federal, state or other recovery authorities could create comparable impacts on future income, and the state fisc would be exposed to corresponding reductions in income tax collections.

Senate — Dual Referral Rules
- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

House
- [ ] 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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