

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



Fiscal Note On: **HB 166** HLS 17RS 23  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 18, 2017 3:47 PM	<b>Author:</b> BROADWATER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Inventory Tax Credit	

TAX/INCOME-CREDIT OR DECREASE GF RV See Note Page 1 of 1  
 Provides with respect to eligibility for the tax credit for ad valorem taxes paid on inventory

Present law allows a state income and franchise tax credit for 100% of local ad valorem taxes paid on inventory held by manufacturers, distributors, and retailers. Certain inventory property is not eligible for the credit.

Proposed law expands the property eligible for the credit to include property that is available for rental even if ultimately sold. Such property can be leased before being sold, can be depreciated, or can be used by the taxpayer if owned by more than 18 months. The definition of retailer is expanded to include short-term property rental classified a industry code 532412 (construction, mining, forestry equipment rental) and 532310 (general rental centers) of the North American Industry Classification System published by the U.S. Census Bureau.

Applicable retroactively to tax periods beginning on and after January 1, 2016.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</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>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</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**

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

**REVENUE EXPLANATION**

The proposed law expands the state tax credit that reimburses firms for the local ad valorem tax they pay on inventory, to include general rental items and heavy equipment rental items. The value of particular types of inventory is not captured in property tax data or on income or franchise tax returns, and estimates of the value of the stock of such inventory statewide is not readily available.

However, the amount of local property tax paid on such inventory and thus the associated potential additional state tax credit exposure is likely to be substantial; probably several millions of dollars per year. The U.S. Census Bureau Economic Census for 2012 reports that there were 53 general rental centers in Louisiana (with over \$56 million of aggregate revenue) and 376 heavy equipment rental businesses (with over \$2.5 billion of revenue). The property that these businesses rent out would become eligible for the state tax credit under this bill, reducing net state tax receipts each year.

In addition, the bill is retroactively applicable to tax year 2016. Thus, refunds of ad valorem tax already paid are likely to result, increasing the state revenue loss in FY18 and possibly subsequent early periods of the fiscal note horizon.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 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}

*John D. Carpenter*  
**John D. Carpenter**  
**Legislative Fiscal Officer**