



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 48** SLS 17RS 207
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 19, 2017 10:47 AM	Author: MORRELL
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Inc/Corp Frn Credits: Recycling Equipment or Contracts	

TAX CREDITS/INC-CORP FRN EG +\$100,000 GF RV See Note Page 1 of 1
 Provides a termination date of January 1, 2020 for the issuing of tax credits for purchase of qualified recycling equipment or service contracts.

Current law allows a credit of 14.4% against income or corporate franchise taxes for the purchase of certain new recycling manufacturing or process equipment and qualified service contracts. The amount of credit claimable is limited to 20% of the total credit allowable, and limited to 50% of the claimant's tax liability. The amount of credit issuable is limited to \$3.6M per calendar year. The Ways & Means and Revenue & Fiscal Affairs Committees are directed to compare the economic benefit due to the credit to the revenue loss, and recommend whether to retain the credit no later than March 1, 2017. Current law also provides that on July 01, 2018, the credit will increase to 20% of the qualifying purchase, and the maximum amount that can be issued will increase to \$5.0M.

Proposed law replaces the review requirement with the termination of the credit on December 31, 2019. It also provides that the 14.4% credit size and \$3.6M issuable limit remain effective until the termination of the credit. (Governor's signature)

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$100,000	\$200,000	\$400,000	\$400,000	\$1,100,000
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	\$100,000	\$200,000	\$400,000	\$400,000	\$1,100,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law will begin to impact revenues in FY19 by reducing the 20% credit provided for that year to the current level of 14.4%, and by terminating the credit halfway through FY20.

LA Dept. of Revenue (LDR) indicates that the average amount of purchases for which the credit is claimed in FY15 & FY16 was \$1.8M. As the amount of credit-eligible purchases has not increased in recent years, this figure offers the best available projection of eligible activity. LDR notes that approximately 80% of claims are typically filed before the same FY ends, 12% are filed the following year, and 8% are filed the third FY.

The estimated revenue impacts above reflect the following:

- No change to the credit in FY18
- A reduction in credit size from 20% to 14.4% for all of FY19
- A reduction in credit size from 20% to 14.4% for half of FY20, and from 20% to 0% for the other half of FY20
- A reduction in credit size from 20% to 0% for all of FY21 and FY22
- The timing pattern of 80%/12%/8% noted by LDR for claims filed

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}

Gregory V. Albrecht
Chief Economist