LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 149** SLS 17RS 427
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 21, 2017 3:28 PM **Author:** CHABERT
Dept./Agy.: LA Dept. of Economic Development
Subject: Expansion of Ports of Louisiana Tax Credits **Analyst:** Zachary Rau

TAX/TAXATION OR DECREASE GF RV See Note
Provides for investor tax credits for qualifying small projects performed at Louisiana ports. (gov sig)

Proposed law defines a "qualifying small project" as one undertaken by a public port with capital costs less than $5 M. Proposed law adds references to "qualifying small project" in present law. Proposed law allows for the Port Investor tax credit to be claimed against the insurance premium tax. Present law allows the LA Dept. of Economic Development (LED) to grant a tax credit of 72% (or an amount determined by the commissioner of administration) of total capital costs for a "qualifying project" in a LA port or port harbor to be taken at 5% per tax year upon certification of the commissioner of administration and upon approval of the Joint Legislative Committee on the Budget (JLCB) and State Bond Commission (SBC). Proposed law amends present law and requires LED to grant a tax credit of up to 72% of total capital costs for a "qualifying project" to be taken at no less than 10% per tax year (up to $10 M annually) upon certification of the commissioner and upon JLCB and SBC approval, but otherwise retains present law. Proposed law allows LED to grant "qualifying small projects" credits of up to $40 M annually for equal to 100% of the total capital costs with JLCB and SBC approval, but without certification by the commissioner of administration beginning on the second anniversary of LED certifying the costs. Proposed law allows the "qualifying small project" credit to be claimed at 25% each tax year. Proposed law raises "qualifying projects" annual credit cap from $4.5 M to $25 M.

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

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

Proposed law may increase SGF expenditures for the LA Dept. of Economic Development (LED) to the extent interest and activity in the Ports of Louisiana tax credit program increases and requires more personnel. LED staff report that there is currently minimal activity in the program and that a current program administrator dedicates a portion of their time to the program. To the extent the proposed legislation causes activity to pick up in the program, LED anticipates a possible need for additional staff, but is uncertain if or when the new hires will be made, or at what cost.

REVENUE EXPLANATION

Proposed law works to decrease SGF receipts by an indeterminable amount annually. The proposed legislation increases the certification exposure of the SGF by $60.5 M per year, based on the bill's annual program certification cap increase of $20.5 M (from $4.5 M annually to $25 M annually) for the Ports of Louisiana tax credit program ("Qualifying Projects"), as well as the creation of a new program ("Qualifying Small Projects" investor tax credit) within the Port of Louisiana tax credits program with a separate cap of $40 M in certifications annually.

While potential aggregate annual certifications increase by $60.5 M, increasing SGF exposure, the proposed legislation further provides that claims made against certified credits may not exceed $10 M per tax year for Qualifying Projects and may not exceed 25% of the total credit granted per tax year for Qualifying Small Projects (beginning with the second anniversary of the certification date). As a result, the potential added $60.5 M certification exposure in a given year would be spread across a number of FYs, and SGF receipts would decrease to the extent credits are claimed over that number of years. Annual credit cost realizations are nonrefundable, and thus subject to available tax liability, but a ten-year carry-forward of unused credit is also allowed.

Though it cannot be determined how much of the increased exposure will be realized in any particular year, LED anticipates increased activity in the program as a result of the proposed legislation expanding the program. For reference, five-year actuals (FYs 12-16) outlined in the Tax Exemption Budget prepared by the LA Dept. of Revenue show no claims of the credit to date. However, LED staff report no certification of firms for the credit, though there have been two project applications with one application pending certification.

Note: while the proposed legislation requires LED to grant the 72% credit for capital costs on Qualifying Projects, the proposed legislation retains language that appears to give the commissioner of administration discretion in setting credit amounts based upon the significant positive economic benefit of the project.

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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