LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 312** HLS 17RS 5
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 9, 2017 4:46 PM **Author:** STOKES
Dept./Agy.: Revenue
Subject: Eligibility For Credit For Tax Paid To Other States **Analyst:** Greg Albrecht

TAX/INCOME-CREDIT EG SEE FISC NOTE GF RV See Note

Repeals the three-year sunset of certain eligibility provisions for the tax credit for taxes paid to other states and authorizes the credit for certain individual partners or members of entities

Present law limits the amount of individual income tax credit available for taxes paid to other states, that provide a similar credit for their residents who paid tax to Louisiana, to the lesser of the actual amount of tax paid to the other state or the amount of Louisiana tax that would have been imposed had the income in question been earned in Louisiana. These provisions terminate, essentially, after tax year 2017, and return to earlier provisions that allow the credit to the full amount of tax paid to the other state.
Proposed law continues the current limitation provisions permanently. In addition, proposed law provides a 50% tax credit to individual partners or members of pass through entities for their proportionate share of taxes paid at the entity level to another state that was based on income included in the entity's federal gross income. Effective taxes paid on or after January 1, 2018.

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	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	**$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**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

With regard to the continuation of the current law limitation of the credit for taxes paid to another state, current law provisions affect returns filed for tax year 2017, affecting tax receipts through FY18. Continuation of those provisions permanently will affect tax receipts in FY19 and beyond, when the current provisions are to expire. To estimate the likely effect of continuing the current credit limiting provisions beyond their expected termination, individual income tax data for tax year 2014 (the last tax year without limitation) was compared to that of tax year 2015 (the first tax year of limitation). Tax year 2015 returns claimed $31.3 million less for this credit than did 2014 tax year returns. Although, at the time the credit limitation was enacted, it was expected that state tax receipts would be some $34 million greater as a result of the limitation, actual experience indicates a somewhat smaller effect is likely with continuation of the limiting provisions.

With regard to the new 50% credit for entity level taxes paid to other states, the bill reduces the tax liability of individuals who are members of various pass through entities such as partnerships, limited liability companies, and S-corporations. The Dept of Revenue indicates that it does not collect information from such entities that reflects the taxes paid to other states, and can not estimate the amount of additional tax credit the bill will result in. However, the amount could be significant in that the Dept identifies over 150,000 such entities in Louisiana.

The continuation of the current law limitation of the credit for taxes paid to another state works to increase net state tax receipts in FY19 and beyond. However, the new 50% credit for entity level taxes paid to other states works to decrease net state tax receipts in FY19 and beyond. It is unknown as to whether combined net revenue effects will increase or decrease relative to what they would otherwise be.

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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