

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 178** SLS 17RS 374
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 26, 2017	3:38 PM	Author: MORRELL
Dept./Agy.: LA Dept. of Economic Development		
Subject: Sunsets Certain Credits, Exemptions, and Incentives		Analyst: Zachary Rau

TAX/TAXATION RE INCREASE GF RV See Note Page 1 of 1
 Establishes termination dates for certain tax credits and incentive programs administered by the Department of Economic Development. (gov sig)
Proposed law sunsets the granting of the following credits and incentives on July 1, 2017: corporate tax reapportionment program, the green jobs tax credit, the urban revitalization tax exemption, and the technology commercialization credit.
Proposed law sunsets the following credits and incentives on July 1, 2021: the angel investor tax credit and the sound recording investor tax credit.

Proposed law repeals the Motion Picture Incentive Act.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	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.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	DECREASE	\$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					

EXPENDITURE EXPLANATION

The LA Dept. of Economic Development may realize some savings associated with the sunset of the programs, though administrators associated with programs subject to the sunsets may be retained and used elsewhere within the department to administer other programs.

REVENUE EXPLANATION

Proposed law will increase SGF net receipts by an indeterminable amount likely beginning in FY 19, and with a phase-up in net receipts in subsequent fiscal years as current participants phase out of the programs and additional incentive programs included in the proposed legislation sunset in FY 22. The increase in net receipts is indeterminable because actual realizations of the credits are dependent on some discretion by participating individuals and firms. Additionally, the LA Dept. of Economic Development (LED) anticipates a lag of approximately one year before increases in net SGF receipts begin to materialize in FY 19 and FY 23, since the bill's sunset date terminates when benefits may be issued, not when benefits may be claimed. As a result, some credits may be claimed for some time after the sunset dates of the bill.

Because of the one-year lag from initial FY 18 sunsets, DED anticipates SGF receipts to begin increasing in FY 19, after the first set of programs terminates. For reference, the credits subject to the FY 18 sunset resulted in revenue losses of approximately \$163,000 in FY 16 with a three-year average (FYs 14-16) revenue loss of approximately \$79,000. As the second set of programs sunset beginning in FY 22, SGF receipts will increase again, with a delayed response until at least FY 23. Credits and incentives subject to the later sunset had a total associated revenue loss of approximately \$867,000 in FY 16 with a three-year (FYs 14-16) average revenue loss of \$1.22 M.

Additionally, repeal of the Motion Picture Incentive Act will likely not affect net SGF receipts, as the FY 17 Tax Exemption Budget anticipates no activity associated with the act beyond FY 16, which ceased certifying credits and exemptions after December 31, 2005.

LED also anticipates a marginal SGR loss associated with the sunset of the sound recording investor tax credit.

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}

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