LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 21** HLS 181ES 58
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 18, 2018 4:42 PM
Author: LEGER
Dept./Agy.: Economic Development
Subject: Continue Reductions To Certain Corporate Deductions
Analyst: Greg Albrecht

TAX/CORP INCOME OR +$16,500,000 GF RV See Note

Reduces the amount of certain corporate income tax deductions and provides for continued effectiveness of reductions to certain corporate income tax deductions and exclusions (Item #4)

Present law reduces the allowable amount associated with a variety of corporate tax deductions and exclusions through June 30, 2018.

Proposed law removes the June 30, 2018 sunset date for the reduced deduction/exclusion amounts, and makes minor changes to the percentages of allowable depletion deduction.

Effective upon governor's signature.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	$16,500,000	$16,500,000	$16,500,000	$16,500,000	$16,500,000	**$82,500,000**
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	**$16,500,000**	**$16,500,000**	**$16,500,000**	**$16,500,000**	**$16,500,000**	**$82,500,000**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

When continuation of the reduction of these deductions and exclusions was considered in the 2017 regular session (HB 247), the Dept. of Revenue was able to estimate some of the deductions affected by this bill by recalculating tax returns filed prior to the current law reductions with and without the reductions that bill makes permanent. Those recalculations resulted in an increase in corporate tax liabilities totaling $16.5 million. This result is comprised of $12.9 million from dividend income deductions, and $3.6 million from depletion allowance deductions. Given the time-intensive manual nature of those recalculations, the Dept. has indicated that it can not revisit those recalculations in a timely manner, and recommends the analysis above as still a reasonable estimate of the likely fiscal consequences of continuing the reduction of these deductions and exclusions.

Since the present law reductions are effective through FY18, the first year of effect resulting from this bill in FY19.

Caveats are warranted for estimates of changes in corporate tax liabilities. The underlying tax base of corporate profits is highly volatile from year to year, making estimates based on single year recalculations of returns unreliable. In addition, corporate tax filers have a wide variety of tax strategies available to minimize and offset increased tax liabilities in any particular year. Thus, while permanent reductions in various deductions and exclusions ultimately works to increase tax liabilities, estimates of receipts in any particular year are highly unreliable.

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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