

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 18** HLS 182ES 45
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Eligibility For Credit For Tax Paid To Other States		

TAX CREDITS OR +\$33,600,000 GF RV See Note Page 1 of 1
 Provides relative to the individual income tax credit for taxes paid to other states

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, and adds a deduction provision for a taxpayers proportionate share of taxes paid in another state at the entity level, when the other state tax does not contain a capital component. The deduction provision applies to taxes paid on or after January 1, 2018. 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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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.	\$33,600,000	\$33,600,000	\$33,600,000	\$33,600,000	\$33,600,000	\$168,000,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$33,600,000	\$33,600,000	\$33,600,000	\$33,600,000	\$33,600,000	\$168,000,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

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, resident individual income tax data for tax year 2014 (the last tax year without limitation) was compared to that of tax year 2015 and 2016 (the first and second tax years of limitation). Tax year 2015 returns claimed \$31.3 million less for this credit than did 2014 tax year returns (\$52.6 million vs \$83.9 million), and tax year 2016 returns claimed \$34.8 million less for this credit than did 2014 tax year returns (\$49.1 million vs \$83.9 million).

To obtain a rough estimate of the deduction provision of the bill, the Department of Revenue looked back at out-of-state credit claims in 2013 (prior to any effectiveness of any limitation on the credit) and compared it to taxes paid to other states (as opposed to credits claimed) for 2015. The difference was approximately \$10 million. Assuming all of that difference is attributable to taxes paid in another state at the entity level, the most the deduction provision of the bill can provide to these taxpayers is \$600,000 at the state's top marginal tax rate of 6%. Out of caution for the uncertainty associated with the actual amount of taxes affected by the deduction provision of the bill, a doubling of the tax affect to \$1.2 million is recommended for purposes of this fiscal note. This amount reduces the net revenue gain to the state from continuing credit limitations discussed in the first paragraph above, for a net revenue gain to the state, relative to the current law expiration of the credit limitation, of some \$33.6 million.

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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