

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 16** SLS 182ES 52
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|------------------------------------------------------------------------------|-----------------------------|
| Date: May 29, 2018 9:07 AM | Author: MORRELL |
| Dept./Agy.: LA Dept. of Revenue | Analyst: Zachary Rau |
| Subject: Ends credit for ad valorem taxes on certain offshore vessels | |

TAX/AD VALOREM OR +\$6,100,000 GF RV See Note Page 1 of 1
 Terminates the credit for ad valorem tax on offshore vessels. (Item #21) (8/1/18)

Present law authorizes a refundable credit for 100% of the ad valorem taxes paid on offshore vessels used in Outer Continental Shelf Lands Act Waters.

Proposed law states that the credit for ad valorem taxes paid on such vessels before January 1, 2022 must be claimed prior by December 31, 2023.

Proposed law renders tax credits for ad valorem taxes paid on such vessels void and of no value if the credits are not claimed by December 31, 2023.

Effective August 1, 2018.

| EXPENDITURES | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|-----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$25,680 | \$25,680 |
| 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 | \$25,680 | \$25,680 |

| REVENUES | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|--------------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$6,100,000 | \$6,100,000 |
| 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 | \$0 | \$0 | \$0 | \$0 | \$6,100,000 | \$6,100,000 |

EXPENDITURE EXPLANATION

Proposed law will result in a one-time SGF expenditure of \$25,680 for the LA Dept. of Revenue (LDR) in FY 23. LDR reports that the expenditures are associated with tax form modifications to account for the termination of the credit on ad valorem taxes paid on offshore vessels in Outer Continental Shelf Lands Act waters.

REVENUE EXPLANATION

The LA Dept. of Revenue (LDR) reports that proposed law will increase SGF revenues by \$6.1 M in FY 23. The proposed legislation sunsets the credit for ad valorem taxes paid to political subdivisions on vessels used in Outer Continental Shelf Lands Act waters. Present law currently allows for a refundable credit against LA income or corporate franchise taxes for ad valorem taxes paid on certain vessels in the calendar year following the taxable year of the assessment of such vessels. Proposed law sunsets this credit for taxes paid on or after January 1, 2022, and further voids any credits not claimed by December 31, 2023.

LDR reports that credits claimed for this purpose totaled approximately \$54.6 M in FY 17. Assuming growth of claims by 2% each year, estimated claims associated with this credit would total approximately \$61.4 M in FY 23. The LA Dept. of Revenue estimates that approximately 10% of claims for a given year are realized in the first fiscal year of filing eligibility, with the balance being claimed in the ensuing fiscal year. To the extent this occurs, the claims estimate of \$61.4 M would be realized in FY 23 (\$6.1 M) and the balance in FY 24 (\$55.4 M). Full year revenue savings would total \$61.4 million in FY23 and each year thereafter, plus some growth factor.

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}

Gregory V. Albrecht
Chief Economist