

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 10** SLS 182ES 42

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 31, 2018	1:51 PM	Author: MORRELL
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Earned Income Tax Credit		

TAX/INCOME/PERSONAL RE -\$21,000,000 GF RV See Note
Increases the earned income tax credit. (Item #21)(See Act)

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Present law provides a refundable state tax credit equivalent to 3.5% of the federal earned income credit for which a taxpayer is eligible.

Proposed law increases the state credit to 5% of the federal credit amount.

Applicable to taxable years beginning on and after January 1, 2018. Applicability terminates upon the expiration of any temporary sales tax levied pursuant to R.S. 47:321.1 or by any other Act of the 2018 Second Extraordinary Session.

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.	(\$21,000,000)	(\$21,000,000)	(\$21,000,000)	(\$21,000,000)	(\$21,000,000)	(\$105,000,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$21,000,000)	(\$21,000,000)	(\$21,000,000)	(\$21,000,000)	(\$21,000,000)	(\$105,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue will incur minor reprogramming costs to incorporate the change in this credit.

REVENUE EXPLANATION

The existing state earned income tax credit has averaged \$47.9 million in the last three complete years (FY15 - FY17). Since this bill increases the credit 43%, it is reasonable to expect an additional \$21 million of foregone state tax revenue as a result of this bill. While fiscal years tend to have more than one tax period of returns filed in them, for personal income tax returns involving nonbusiness income items such as this credit, the bulk of the effect of a change such as proposed by this bill tends to be exhibited in the fiscal year in which the first affected tax period ends. This bill makes this higher credit applicable for tax year 2018, and will reduce revenue starting in FY19.

As of this writing, HB 27 and HB 12 are instruments currently in the Senate that continue a portion of the tax levied in R.S. 47:321.1 indefinitely.

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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