

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 274** HLS 19RS 481

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

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Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Tax Credit For Costs of Certain Manufacturing Projects	

TAX CREDITS EG DECREASE GF RV See Note Page 1 of 1
Establishes a tax credit pilot program for certain Louisiana-based manufacturing industries

Authorizes income and corporation franchise tax credits for expenses associated with construction and equipping certain manufacturing projects in the state. Projects are to be located in opportunity zone census tracts, and have a minimum capital cost of \$1.5 million. Credits per project can be for up to 50% of costs, but not greater than \$1 million per project. Credits are nonrefundable but can be carried forward for five years. Credits can not be applied against tax liabilities before January 1, 2020. Credits are granted once the commissioner of administration, with JLCB approval, certifies that a project will result in significant positive economic benefit to the state. Total credits that can be granted are \$10 million over the five-year life of the program, and may be paid in a lump sum or be structured over time. No credits shall be issued on or after January 1, 2025.

Effective upon governor's signature.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The Dept. of Economic Development anticipates an existing incentive manager handling the program in its pilot period, with additional resources necessary depending on the number and complexity of participation, and the extension of the program beyond this initial five-year period.

The Dept. of Revenue will likely incur tax system modification costs, typically estimated in the range of several thousands of dollars of staff time.

REVENUE EXPLANATION

The bill establishes a five-year program for subsidizing a portion of the costs associated with qualifying manufacturing projects. Total exposure of the state fisc is limited to \$10 million over the life of the program, but the magnitude and timing of annual cost realizations are unknown, and will depend on implementation of the program; applications, certifications, credit awards, credit claims and carry-forwards. It is assumed that providing that "tax credits shall not be applied against an applicant's tax liability before January 1, 2020" means that credits can first be claimed against tax year 2020 income tax liabilities, making the first fiscal year of credit exposure to income tax be FY21. However, franchise tax liabilities are due at the beginning of the tax year, making FY20 the first year of credit exposure to franchise tax liabilities. However, it seems unlikely that the program could be implemented quickly enough to realize credits in FY20.

Annual revenue losses would likely ramp-up over the life of the program and extend beyond the fiscal note horizon with five-year carry-forwards allowed.

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}

John D. Carpenter
Legislative Fiscal Officer