

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 586** HLS 19RS 999
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: May 9, 2019 9:59 AM	Author: HARRIS, J.
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Angel Investor Tax Credit Program / Opportunity Zones	

TAX CREDITS EG -\$500,000 GF RV See Note Page 1 of 1

Authorizes an enhanced Angel Investor tax credit for investments made in Louisiana Entrepreneurial Businesses located in federally established opportunity zones

Present law provides the Angel Investor Tax Credit Program which awards tax credits for investments in qualified businesses. The credit rate is currently 25% of eligible investments, with an annual program credit award cap of \$3.6 million for applications received before July 1, 2021. No additional credits can be awarded for applications received after that date. Credits can be claimed against tax liabilities starting with two years beyond the year of award, and allows them to be spread evenly over a three-year period.

Proposed law extends the program applications through fiscal year 2025. Provides an enhanced credit of 35% for investments in businesses located in newly established federal opportunity zones (Tax Cuts and Jobs Act enacted in late 2017). All program credits, with or without enhancement can be spread over two years rather than three years. The annual program credit award cap is increased by \$3.6 million (to a program total of \$7.2 million). Effective upon governor's signature.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	(\$500,000)	(\$500,000)	(\$500,000)	(\$1,500,000)
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	\$0	\$0	(\$500,000)	(\$500,000)	(\$500,000)	(\$1,500,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Dept. of Economic Development indicates that the changes to the program proposed by this bill will not require additional resources to administer.

REVENUE EXPLANATION

The current program can award tax credits though FY21, with realization of those credits against state tax liabilities occurring through FY26. Thus, some program credit costs will occur throughout the fiscal note horizon regardless of the program application extension proposed by this bill.

Extension of Program: Considering 2017 and 2018 as a baseline of credit awards that the bill is likely to maintain; average of \$1.976 million annually. These costs do not account for any additional participation in the program attributable to this bill, beyond a continued baseline assumption. LED has not typically fully awarded the available current law program cap of credit (\$3.6 million from 2015 to present, \$5 million from 2011 - 2015). Continuation of the current baseline might boost annual credit costs by roughly an additional \$400,000 per year; beginning in FY22 and beyond. Shortening the time frame within which program credits can be claimed from three years to two years effectively increases annual credit realizations relative to the program baseline by roughly 1/3.

Opportunity Zone Enhancement: Currently, Dept. of Economic Development (LED) data indicates that over the last three years approximately 16 applications per year receive reservation amounts of the existing program credit total (\$3.6 million per year), with an average of 10 per year actually receiving credit awards. LED indicates under the new federal law, there have been 150 Opportunity Zones designated for the state, although LED is not aware of the number of potentially eligible investments within these zones. It is possible that some additional applications would be received and approved, over and above the normal level for the program, as result of this bill (applying for the opportunity zone enhanced credit of 35%), and program credit costs would be greater than what would occur with only a simple program extension baseline. This additional cost increase is speculative, and not included in the estimates above, but may be able to begin being realized as early as FY22.

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}

Evan Brasseaux

Evan Brasseaux
Staff Director