

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 13** SLS 201ES 24  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|  |         |                               |
|--|---------|-------------------------------|
| <b>Date:</b> June 9, 2020                      | 4:19 PM | <b>Author:</b> WARD           |
| <b>Dept./Agy.:</b> Revenue                     |         | <b>Analyst:</b> Greg Albrecht |
| <b>Subject:</b> New Markets Tax Credit Program |         |                               |

ECONOMIC DEVELOPMENT EG -\$60,000,000 GF RV See Note Page 1 of 1  
 Provides for the Louisiana New Markets Jobs Act.(Item #19) (8/1/20)

Present law variations of this program have provided tax credits against income tax, franchise tax, and premium tax for investments in Community Development Entities (CDEs) organized to participate in the federal New Markets Tax Credit Program. Tax credits are percentages of the investment in a CDE that are used to make subsequent investments in qualified businesses in the state. Credits are nonrefundable but are transferable. In the last three versions of the program, a total of \$124.750 million of tax credits have been issued.

Proposed law provides \$60 million of transferable premium tax credit (60% of \$100 million of capital allowed into the program). The capital/credit allocation will be made on 8/1/2020, allocating \$100 million of capital and generating total tax credit of \$60 million. Associated tax credits can be claimed evenly over four years, beginning in the fourth year after the capital allocation. First credit claims can occur in FY24 and last through FY27.

| <b>EXPENDITURES</b> | <b>2020-21</b> | <b>2021-22</b> | <b>2022-23</b> | <b>2023-24</b> | <b>2024-25</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

  

| <b>REVENUES</b>     | <b>2020-21</b> | <b>2021-22</b> | <b>2022-23</b> | <b>2023-24</b>        | <b>2024-25</b>        | <b>5 -YEAR TOTAL</b>  |
|---------------------|----------------|----------------|----------------|-----------------------|-----------------------|-----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | (\$15,000,000)        | (\$15,000,000)        | <b>(\$30,000,000)</b> |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0                   | \$0                   | <b>\$0</b>            |
| Ded./Other          | \$0            | \$0            | \$0            | \$0                   | \$0                   | <b>\$0</b>            |
| Federal Funds       | \$0            | \$0            | \$0            | \$0                   | \$0                   | <b>\$0</b>            |
| Local Funds         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>            | <u>\$0</u>            | <b>\$0</b>            |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>(\$15,000,000)</b> | <b>(\$15,000,000)</b> | <b>(\$30,000,000)</b> |

**EXPENDITURE EXPLANATION**

In the past the Department of Revenue has indicated that it has devoted a full-time position to administer this program. This bill is unlikely to require resources beyond that. However, with this bill there will effectively be multiple programs being administered simultaneously, with different sets of program parameters. The bill retains the Revenue Department as the program administrator but provides premium tax credits. Thus, some coordination with the Insurance Department will be required and may add to administrative costs.

**REVENUE EXPLANATION**

The bill structures the issuance of \$60 million of tax credits in a single allocation on August 1, 2020, and provides that this issue can first be claimed against tax liabilities four years after the credit issuance. Thus, premium tax liabilities for 2023, filed in FY24, are first affected. The amount of tax credit that can be taken each year is also structured to be 1/4 of the credit issuance. The State New Markets Tax Credit Programs have typically been fully subscribed. Thus, FY24 is exposed to \$15 million of revenue loss (first 1/4 of \$60 million of total credit issued). Then FY25 through FY27 are each exposed to \$15 million of revenue loss (2nd, 3rd, and 4th shares of \$60 million of total credit issued).

Total state revenue losses are \$60 million, spread over four years, but with a delayed effect at the outset of the program.

Annual realization of the credits is limited to the premium tax liability of the holder of the credits. However, a ten year carry-forward period is allowed for unused credits, and the credits are transferable to other premium taxpayers. Thus, it is likely that annual realizations will approximate the annual exposures in the table and discussion above.

Total tax credits claimed under the New Markets Tax Credit program (income, franchise, and premium) have totaled \$149.6 million, prior to the additional \$60 million of credit provided by this bill. With this bill, a total of \$209.6 million of tax credits will have been issued through the state's program.

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