

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 13** SLS 201ES 24
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ HSE COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 18, 2020 11:53 AM	Author: WARD
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: New Markets Tax Credit Program	

ECONOMIC DEVELOPMENT RE1 -\$41,250,000 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 (Des) organized to participate in the federal New Markets Tax Credit Program. Tax credits are percentages of the investment in a DE 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 \$41.25 million of transferable premium tax credit (55% of \$75 million of capital allowed into the program). The capital/credit allocation will be made on 8/1/2020, allocating \$75 million of capital and generating total tax credit of \$41.25 million. Associated tax credits can be claimed over four years, beginning in the fourth year after the capital allocation. First credit claims occur in FY24 and last through FY27.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	(\$11,250,000)	(\$11,250,000)	(\$22,500,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	(\$11,250,000)	(\$11,250,000)	(\$22,500,000)

EXPENDITURE EXPLANATION

When handled by the Department of Revenue in the past, a full-time position was devoted to administering the program. This bill is unlikely to require resources beyond that, and administration is now apparently handled within the Dept of Insurance.

REVENUE EXPLANATION

The bill structures the issuance of \$41.25 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. Premium tax liabilities for 2023, filed in FY24, are first affected. The amount of tax credit that can be taken each year is structured to be 15% per year of the credit issuance for three years, then 10% in the fourth year. The State New Markets Tax Credit Programs have typically been fully subscribed. Thus, FY24 - FY26 are each exposed to \$11.25 million of revenue loss (15% of \$75 million of total capital each year). Then FY27 is exposed to \$7.5 million of revenue loss (10% of \$75 million of total capital allowed). Total state revenue losses are \$41.25 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, 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. In addition, a five year carry-forward period is allowed for unused credits.

Total tax credits claimed under the New Markets Tax Credit program (income, franchise, and premium) have totaled \$149.6 million, prior to the additional \$41.25 million of credit provided by this bill. With this bill, a total of \$190.85 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