LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 208** SLS 21RS 377
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 18, 2021 11:40 AM
Author: FOIL
Dept./Agy.: Economic Development / Insurance
Subject: Investment Louisiana Business Development Fund
Analyst: Greg Albrecht

TAX/TAXATION OR -$55,000,000 GF RV See Note

Establishes the Invest Louisiana Small Business Development Fund and authorizes a premium tax credit for small business growth investments made by qualified investors. (1/1/22)

Proposed law appears to provide $55 million of premium tax credits (110% of $50 million of capital from insurance companies allowed into the program). Total capital allowed into the program includes another $50 million of matching funds from funding participants). Applications for capital to access the program must be accepted within the first six months of 2022. Associated tax credits can be claimed in unspecified amounts over unspecified periods. The bill provides for the use of the capital allowed into the program for qualified investments in Louisiana businesses.

Effective January 1, 2022.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	$90,000	$90,000	$90,000	$90,000	$90,000	**$450,000**
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	**$90,000**	**$90,000**	**$90,000**	**$90,000**	**$90,000**	**$450,000**

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	($11,000,000)	($11,000,000)	($11,000,000)	($11,000,000)	($11,000,000)	**($55,000,000)**
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	**($11,000,000)**	**($11,000,000)**	**($11,000,000)**	**($11,000,000)**	**($11,000,000)**	**($55,000,000)**

EXPENDITURE EXPLANATION

The bill places administration of this program within the Department of Economic Development (LED). Since the program is new to LED, the department indicates the need for a program administrator to track the investments, process applications and tax credit documentation, and collaborate with the Department of Insurance (DOI) and the Department of Revenue. Salary and related benefits for the program administrator are approximately $90,000 per year. DOI reports that it will incur some minor IT programming and testing costs.

REVENUE EXPLANATION

The bill appears to structure the issuance of $55 million of tax credits within the first half of calendar year 2022. These credits can be claimed against premium tax liabilities in unspecified amounts (applicable percentages) in unspecified annual periods (credit allowance dates). The bill does make a general reference to "five subsequent anniversary dates", but does not specify the starting date of or percentage of total credit that can be claimed each year. Given the uncertain nature of the bill's language, the fiscal note assumes an even 20% of total credits are allowed to be taken each year for five years, beginning with FY22, or $11 million per year, and a total of $55 million for the program.

Credits can be taken against premium tax liabilities, except those attributable to medicaid-enrolled managed health care organizations. If liabilities of contributing insurance companies are insufficient to exhaust available credits in any particular tax period, unused credit amounts can be carried forward for use for an unlimited number of years. Premium tax liabilities against which the bill's annual credit amounts can be claimed, other than those excluded by the bill, are forecast to exceed $500 million per year. It is likely that the full amount of credit available for claim each year will be realized against the state fisc.

The fiscal consequences of programs such as proposed by this bill have often been discussed in the context of static versus dynamic scoring. The revenue loss estimate above is static, and does not incorporate the effects of the program on the economy. Such programs can have desirable re-distributive impacts in the economy, but are not likely to change the overall size of the economy. Net macroeconomic dynamic effects are small, at best, due to fundamental realities rarely considered in most impact analyses. But for the program, a large portion of the targeted economic activity is likely to occur anyway. The program provides an alternative source of capital to participating businesses but, as evidenced by historically low interest rates, there is substantial capital available in the economy overall. Regardless of this consideration, the state operates within a balanced budget constraint, requiring offsetting budget reductions or alternative tax increases to fund tax credits. This constraint results in dampening impacts in the economy that work to largely or even more than completely offset any stimulative effect attributable to such programs. Thus, static results tend to implicitly capture full dynamic effects.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 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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