LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 454** HLS 21RS 397
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 26, 2021 6:44 PM
Author: DEVILLIER
Dept./Agy.: Revenue
Subject: Reduces Various Tax Deductions and Credits
Analyst: Greg Albrecht

TAX/INCOME TAX OR +$850,000,000 GF RV See Note
Reduces the amount of certain income tax exclusions, exemptions, deductions, and credits

Proposed law reduces by 50% various tax deductions, exclusions, exemptions, and credits. Major revenue impacts result from the reduction to various corporate tax deductions from income and exclusions to income. Additional material revenue impacts result from reducing credits for ad valorem taxes paid to local governments. Numerous expired credits are repealed. Applicable to tax periods beginning on or after January 1, 2023.

EXPENDITURES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$190,000,000	$718,000,000	$846,000,000	$850,000,000	**$2,604,000,000**
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	**$0**	**$190,000,000**	**$718,000,000**	**$846,000,000**	**$850,000,000**	**$2,604,000,000**

EXPENDITURE EXPLANATION

Typically the Dept. of Revenue would indicate that the costs to modify and test tax systems to incorporate the additional adjustment to income provided by a bill would be approximately $26,000 of staff time. However, this bill changes numerous credits, and more significantly, changes to tax table liability calculations that will likely incur substantially more administrative costs to incorporate, as well as likely considerable staff time dealing with taxpayer inquiries.

REVENUE EXPLANATION

To assess the bill's potential revenue implications, the Dept. of Revenue re-calcuated 2018 electronically filed corporate income tax returns (73%) before credits with the bill's deduction and exclusion provisions, and scaled the results up to all returns. This generated an 82.5% increase in tax table liability, or $1.058 billion. Filing patterns translate the tax year liability change into fiscal year receipts changes of $190 million FY23 (18%), $952 million FY24 (90%), and $1.058 billion FY25 and subsequent years (100%). Affected credits prior to the bill's provisions were applied, and then the reduced amount of credits was added back. The net effect on a fiscal year basis is reflected in the revenue table above. FY23 is first affected through likely changes in estimated payments due in the January - June 2023 period for the tax year 2023 changes.

Of the revenue increase estimated above, most is generated by the cut to deductions from income and exclusions from income, with the balance attributable to the reduction of credits, and these are largely associated with the credits for ad valorem taxes paid to local governments. Many of the credits referenced in the bill have little or no utilization, and the Dept. did not incorporate any effect from a number of economic development credit programs since there is typically a time lag from when credits are earned and when they are claimed. Thus, over time, the net revenue gains of the bill could exceed those estimated above.

Senate | Dual Referral Rules | House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}
- [ ] 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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