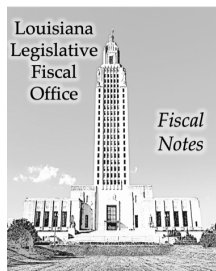


**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**



Fiscal Note On: **SB 240** SLS 21RS 695  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|   |                               |
|---|-------------------------------|
| <b>Date:</b> April 29, 2021 5:29 PM               | <b>Author:</b> LUNEAU         |
| <b>Dept./Agy.:</b> Revenue                        | <b>Analyst:</b> Greg Albrecht |
| <b>Subject:</b> Limits Utilization of Tax Credits |                               |

TAX/TAXATION OR INCREASE GF RV See Note Page 1 of 1  
 Limits the utilization of income and corporation franchise tax credits to total tax liability. (gov sig)

Proposed law provides that tax credits claimed against corporation income and franchise taxes shall not exceed taxpayer liabilities. Excess credit amounts shall not be refundable, but may be carried forward for five years. Applicable for tax years beginning on or after January 1, 2022.

Effective upon governor's signature.

| EXPENDITURES        | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>2025-26</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         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |


| REVENUES            | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>2025-26</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | INCREASE       | INCREASE       | INCREASE       | INCREASE       | \$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>     | <u>\$0</u>           |
| <b>Annual Total</b> | <b>\$0</b>     |                |                |                |                | <b>\$0</b>           |

**EXPENDITURE EXPLANATION**  
 The Department of Revenue indicates that the costs to modify and test tax systems to incorporate the changes provided by the bill for the various affected credits would be approximately \$51,000 of staff time. Additional costs might be incurred if processing equipment and software upgrades are necessary.

**REVENUE EXPLANATION**  
 The bill appears to intend to convert currently refundable tax credits to nonrefundable status, resulting in greater net tax receipts. While it is uncertain as to the specific annual effects of the bill, credits are generally refundable, in part, because the annual tax liabilities of recipient taxpayers is typically insufficient for those taxpayers to realize the full benefit of the credit without refundability. The Dept. of Revenue identified 13 currently refundable credits affected by the bill, and reported FY20 amounts of credit claimed in excess of liability. In the aggregate, these credits resulted in \$256 million of refund payments. This bill would presumably limit this approximate amount of refund payments in future tax periods, resulting in greater net tax receipts. Over 80% of this amount is associated with four of the credits (inventory ad valorem credit, offshore vessel ad valorem credit, school readiness directors and staff credit, and the digital interactive media credit).

State fiscal effects would first occur in FY23 based on the 2022 tax period. Specific annual effects would depend on the annual tax circumstances of tax filers claiming these credits. While annual net receipts gains could be substantial, business tax filers could adjust behavior to shift credits from individual owners of a business to the business entity and still benefit from as much of the credit as possible. In addition, according to the Dept. of Revenue, certain credits can be used by any tax filer within the federal consolidated group of filers that comprises some businesses, which can negate some or all of the non-refundability intent of the bill. Thus, while the bill works to increase net receipts, specific revenue effects in specific fiscal years is less than than FY20 example above, and is largely speculative.

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|---|--|
| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 &gt;= \$100,000 Annual Fiscal Cost {S &amp; H}</p> <p><input checked="" type="checkbox"/> 13.5.2 &gt;= \$500,000 Annual Tax or Fee Change {S &amp; H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) &gt;= \$100,000 SGF Fiscal Cost {H &amp; S}</p> <p><input type="checkbox"/> 6.8(G) &gt;= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
|---|--|

  
**Christopher A. Keaton**  
**Legislative Fiscal Officer**