LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 237** SLS 21RS 152
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 30, 2021 2:12 PM
Author: FOIL
Dept./Agy.: Revenue
Subject: Infrastructure Tax Credits
Analyst: Greg Albrecht

TAX/TAXATION OR DECREASE GF RV See Note

Creates the Infrastructure and Jobs Creation Tax Credit Program to fund grants for public-private partnership investment in Louisiana. (8/1/21)

Authorizes the sale of $55 million of tax credits by the Dept. of Revenue, that can be claimed against income tax, franchise tax, or the insurance premium tax. Credits can be claimed against tax liabilities at a rate of 1/6 (16.67%) of the credit value in each of the tax years 2027 through 2032. Credit amounts that exceed tax liabilities can be carried forward an unlimited number of tax years, or be sold back to the Dept. of Revenue at their original purchase price.

The proceeds from the sales of tax credits are to be deposited into the Infrastructure and Jobs Creation Fund, newly created by this bill. These funds are to be appropriated to the Dept. of Economic Development (LED) for grants to public-private partnership investments and infrastructure projects. Provides guidance for LED determined grants, but limits grants to no more than $2.5M per project per tax year.

EXPENDITURES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	INCREASE	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total		**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

The resources of the Infrastructure and Jobs Creation Fund, newly created by this bill, would be appropriated to LED to finance grants to qualifying projects. These appropriations could be made over a number of years. The bill seems to contemplate both public infrastructure projects as well as traditional LED private business projects.

The Dept. of Economic Development indicates the need for at least one new position, and possibly two depending on the number of project grants to administer at a cost of roughly $90,000 per position per year, totaling some $180,000 per year. These costs would have to be covered by general fund resources if LED could not charge application fees as is typical with the Dept's other programs (the bill does not address fees).

The Department of Revenue indicates that costs to modify and test tax systems and the tax credit registry to incorporate an additional tax credit would be approximately $150,000 of staff time. An additional position may also be required to process and track the sale and buyback of credits by the Dept. at roughly $70,000 per year. Some of these costs would be incurred in FY22, and some presumably would be incurred sometime prior to the first year of possible credit claims (tax year 2027).

The Dept. of Insurance may also incur costs associated with any credits claimed against the premium tax.

REVENUE EXPLANATION

The fiscal note assumes that the sale of all available tax credits ($55M) will be completed within FY22, with proceeds deposited into the Infrastructure and Jobs Creation Fund, newly created by this bill. Presumably, the sales price of the credits and, consequently, deposits to the fund will be less than the $55M face value of the credits.

Beginning in tax year 2027, $9.167M of tax credits ($55M x 1/6 of credit value) could be claimed against income, franchise, and premium tax liabilities. These claims would be realized against tax collections in FY28. A similar amount of credit could be claimed against each of the five subsequent tax year's liabilities through tax year 2032; being largely realized against tax collections in FY29 through FY33. If the holders of credits have insufficient liabilities in any particular year to exhaust the credits allowed for that year, they can choose to carry the unused credit portions forward for as many tax years as necessary for complete utilization, or sell them back to the state at the original purchase price. This sell-back option effectively makes the credits refundable at their original purchase price. While not addressed in the bill, presumably the Dept. would purchase credits from current collections without appropriation.

Senate — Dual Referral Rules

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

[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House

[x] 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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