

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 690** HLS 21RS 1345

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 2, 2021	1:18 PM	Author: LACOMBE
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Corporate Income Tax Deduction For Certain Expenses		

TAX/INCOME TAX

OR DECREASE GF RV See Note

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Establishes a corporate income tax deduction for certain expenses related to capital infrastructure projects

Proposed law provides deduction for expenditures incurred in the construction, repair, or renovation of capital infrastructure that modernize facilities or immovable equipment, make the infrastructure more energy efficient, or reduce emissions. The deduction is limited to the lesser of actual expenses or \$250,000 per year. The deduction can be earned each year for which expenditures are made.

Applicable to tax years beginning on or after January 1, 2022, but no deduction shall be allowed on any tax return filed after December 31, 2024.

EXPENDITURES	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	\$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	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

The Dept. of Revenue indicates that implementation of this proposal will result in approximately \$69,000 in additional staff time costs for computer system development and modification, tax form redesign, and testing. This would include \$51,000 of IT expenses related to the modification of the corporate tax return in order to allow the subtraction of the deduction in one tax period and the adding back of depreciation in a later tax period. The proposed bill would also require the addition of a line to the tax return below taxable income to remove these deductions to compute the new taxable income. This cost is estimated at \$18,000 for Revenue Processing Center for reprogramming.

REVENUE EXPLANATION

According to the Dept. of Revenue, the bill allows a deduction for expenses that are currently deductible as a capital expenditure (depreciation) or an expense for federal tax purposes and thus for Louisiana tax purposes. The Dept. indicates that the bill would allow for an acceleration of the depreciable basis of capital expenses, requiring taxpayers to adjust the amount of deductions reported later so that expenses are not deducted twice. It cannot be determined how many taxpayers would claim this deduction or the amount of expenses that would be claimed (or affected by the \$250,000 per year limitation). Thus, the revenue loss exposure from this bill is indeterminable. Given the concentration of heavy industry in the state and the corporate income tax, and the types of eligible expenditures, the revenue impact could be material.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

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

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
Legislative Fiscal Officer