

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 685** HLS 21RS 330

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 3, 2021	2:36 PM	Author: NEWELL
Dept./Agy.: LA Housing Corporation / Revenue		Analyst: Greg Albrecht
Subject: Low-Income Housing Development Tax Credit		

TAX CREDITS OR -\$1,000,000 GF RV See Note Page 1 of 1
Establishes a state low-income housing tax credit for the development or construction of low-income housing

Provides tax credits against income and franchise tax for qualifying low-income housing projects. The credit is 9% of the federal tax credit provided in 26 U.S.C 42(b) for each of the first three years of service, and 3% for the fourth year. Various requirements must be met to qualify a project for the state credit. The total amount of credits to be allowed each year is \$1 million. Credits are nonrefundable with a five-year carry-forward for unused credit amounts. No credits may be certified or granted after December 31, 2027.

Applicable to tax years beginning on or after January 1, 2022.

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	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$4,000,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$4,000,000)

EXPENDITURE EXPLANATION


The Department of Revenue indicates that the costs to modify and test tax systems to incorporate an additional tax credit is typically approximately \$26,000 of staff time. This credit may cost more to setup and administer since it requires maintaining an annual cap on the amount of credit to be granted each year. In addition, the La Housing Corp may incur costs associated with the various requirements applicants must meet that are administered by the Corp. Costs will ultimately depend on the number of applicants for the state credit.

REVENUE EXPLANATION

The state's exposure to the credit provided by the bill is \$1 million per year. Actual annual realizations may be less than this if affected taxpayers have insufficient tax liabilities to exhaust the total amount of credit received. The five year carry-forward provision makes it possible for exposure in subsequent years to exceed \$1 million, but the bill appears to limit the amount of credit that can be certified by the La Housing Corp to \$1 million per year, as well as limits the Dept. of Revenue from granting credit claims to no more than \$1 million per year. The earliest credits are likely to be claimed against tax liabilities is FY22, and realizations may ramp-up to \$1 million per year from lower levels initially.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 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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Legislative Fiscal Officer