

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 131** HLS 21RS 108

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 4, 2021	9:13 AM	Author: COUSSAN
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Tax credit For Property Donations To Schools		

TAX CREDITS EG -\$2,120,000 GF RV See Note Page 1 of 1
Establishes an income tax credit for donations of property used for research or direct education of students to certain educational institutions

Proposed law provides an income tax credit for donations of new property to, or money donations utilized to purchase property by, educational institutions. The credit is 29% of the value of the property or money donation. Provides for various conditions and requirements to qualify for the credit, including that the property donated or purchased be new state of the art property of a sophisticated and technological nature capable of being used or research and training or direct education of students.

Applicable for taxable years beginning on or after January 1, 2022. No credits shall be allowed on or after January 1, 2027.

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	(\$1,013,000)	(\$1,990,000)	(\$2,120,000)	(\$2,120,000)	(\$7,243,000)
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	(\$1,013,000)	(\$1,990,000)	(\$2,120,000)	(\$2,120,000)	(\$7,243,000)

EXPENDITURE EXPLANATION

The Department of Revenue indicates that the costs to modify and test tax systems to incorporate the credit to income provided by the bill would be approximately \$26,000 of staff time.

REVENUE EXPLANATION

The bill reinstates the tax credit for donations to educational institutions provided in R.S. 47:37 and R.S. 47:287.755. That credit sunsets at the end of the 2019 tax period. For the last three years of reported information (FY17 - FY19), donations resulted in individual income tax credits averaging \$820,000 per year (FY17 \$777,232, FY18 \$718,175, FY19 \$965,542). Over the same period, donations resulted in corporate income tax credits averaging \$1,324,000 per year (FY17 \$470,302, FY18 \$0, FY19 \$3,502,475). Corporate donations can be more sporadic and variable. Utilizing these recent results as a model for reinstatement of the credit, state revenue might be expected to be reduced by an average of \$2.120 million per year in combined individual and corporate income tax net receipts. Most of the individual income tax claims for a tax year would be realized in the first fiscal year after the year of donation (95%, then 100%), while most of the corporate income tax claims for a tax year would be realized in the second fiscal year after the year of donation (18%, 90%, 100%). This presumed ramp-up is incorporated into the revenue table above.

The bill also extends the credit to include donations of money utilized by the school to purchase eligible property. While the allowance of monetary donations may supplant donations of physical property, it may also make it easier to attract a greater amount of donations overall. This feature may increase the state fiscal exposure to this credit beyond the estimated amounts above.

Senate
 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}

Christopher A. Keaton
Legislative Fiscal Officer