

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 506** HLS 21RS 929

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 12, 2021	12:29 PM	Author: BEAULLIEU
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Net Operating Loss Deduction		

TAX/INCOME TAX EG -\$20,300,000 GF RV See Note
Increases the amount of the net operating loss deduction

Current law limits the utilization for a taxable year of net operating loss deductions to 72% of the net operating loss carryovers to the taxable year, with the deduction limited to 72% of Louisiana net income.

Proposed law increases the amount of net operating loss deduction to 80% of the net operating loss carryovers to the taxable year, with the deduction limited to 80% of Louisiana net income.

Applicable to tax years beginning on or after January 1, 2021.

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.	(\$3,700,000)	(\$18,300,000)	(\$20,300,000)	(\$20,300,000)	(\$20,300,000)	(\$82,900,000)
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	(\$3,700,000)	(\$18,300,000)	(\$20,300,000)	(\$20,300,000)	(\$20,300,000)	(\$82,900,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue will incur some tax system modification costs to incorporate the change provided by this bill. Typically, these costs are reflected in several thousand dollars of IT staff time.

REVENUE EXPLANATION

The Dept. of Revenue recalculated 2018 corporate income tax returns that claimed net operating loss deduction under the bill's 80% deduction allowance versus the 72% allowance in current law. The difference of \$20.3 million reflects the revenue loss for a given tax year. This annual liability loss has to be translated to fiscal year effects recognizing the filing pattern of firms (18% in the immediate fiscal year, 72% by the second fiscal year, and 10% by the third fiscal year). This lagged effect accumulates the revenue loss over three fiscal years such that the revenue loss in FY22 is \$3.7 million, in FY23 \$18.3 million, and in FY24 and beyond \$20.3 million per year. The bill is first effective for tax year 2021; therefore, the first fiscal year of effect is FY22.

For informational purposes, the stock of net operating losses available for use is substantial and growing. Returns filed during FY18 had \$79.039 billion of losses available for use after utilizing \$1.875 billion of losses on those returns. Returns filed during FY19 had \$86.178 billion of losses available for use after utilizing \$2.513 billion of losses on those returns. Returns filed during FY20 had \$95.116 billion of losses available for use after utilizing \$3.570 billion of losses on those returns.

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}

Christopher A. Keaton
Legislative Fiscal Officer