LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 242** SLS 21RS 844
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 19, 2021 6:00 PM
Author: WARD
Dept./Agy.: Revenue
Subject: Inventory Tax Credit - Extend Carryforward Period
Analyst: Benjamin Vincent

TAX/TAXATION OR DECREASE GF RV See Note

Clarifies the carryforward period for the inventory tax credit. (gov sig)

Current law provides a ten-year carry-forward period within which to utilize unused inventory credit amounts as a credit against tax liabilities. The ten-year carry-forward period was changed from a five-year carry-forward period by Act 50 of the 2020 2nd Extraordinary Session, and was effective January 1, 2021. Thus, the longer carry-forward period applied to "new" unused credit amounts associated with taxable years ending after December 31, 2020, and not to balances of unutilized credit as of December 31, 2020.

Proposed law applies the ten year carry-forward period to balances of credit unutilized as of December 31, 2020.

Effective upon governor's signature.

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	$0	$0	$0	$0	$0	**$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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill applies the extended carry-foward period to unutilized credit balances existing as of December 31, 2020, some of which would expire in one to five years in the absence of this bill. This bill will keep these balances available for credit for up to five additional years. To the extent firms are able to utilize some portion of these balances that would not otherwise be available to them, this bill can only work to reduce annual net tax collections from what they would otherwise be. The first fiscal year of additional revenue loss exposure would be FY22, for income tax returns filed in the spring of 2022 and franchise which is due at the start of the year and payable by May of the year.

An estimate of the potential revenue loss is not possible. The Dept. of Revenue does not have data on the amount of credit across taxpayers that is available for carryforward use, nor any schedule of how much might be expiring in any particular year that this bill would keep available for use.

The following discussion is from the fiscal note on Act 50 (SB 1) of the 2020 2nd Extraordinary Session: Over the life of the inventory credit through FY14, and in the aggregate, firms claiming the credit have never had sufficient tax liabilities to exhaust the amount of credit available only by offsetting those liabilities. Consequently, refunds of excess credit were made of typically 82% of the credit, with 18% offsetting tax liabilities. Changes made to the credit in 2015 and 2016 have reduced the total annual cost of the credit by some 31%, from approximately $388 million per year before 2015, to approximately $267 million per year after 2015, as well as constrained the refundability of excess credit amounts. Current information indicates that of the lower total credit amounts in recent periods, refunds of excess credit are about 40% of the total credit, with 60% offsetting tax liabilities. While flipped from the earlier periods of the credit, the data still suggests that tax liabilities are not sufficient to exhaust the amount of credit available through offsetting tax liabilities.

While the bill can only work to decrease revenue by allowing some taxpayers to claim, against tax liabilities, credits that would have otherwise expired, it still does not seem likely that the extension of the carryfoward time limit would significantly increase the amount of credit possible to claim in the aggregate each year.

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
Christopher A. Keaton
Legislative Fiscal Officer