

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 680** HLS 21RS 1409

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 25, 2021	1:20 PM	Author: HUGHES
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Tax Credit For Hiring Disadvantaged Youth		

TAX CREDITS RE -\$7,500,000 GF RV See Note
Establishes the Louisiana Youth Jobs Tax Credit Program

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Provides tax credits against income and franchise tax for hiring eligible youth on or after July 1, 2021. The credit is \$1,250 per hire in a full-time position, and \$750 per hire in a part-time position. Various conditions must be met to determine youth eligibility. The total amount of credits to be allowed each year is \$7.5 million. Credits are nonrefundable with a five-year carry-forward for unused credit amounts. No credits shall be earned after December 31, 2025.

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	<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	(\$7,500,000)	(\$7,500,000)	(\$7,500,000)	(\$7,500,000)	(\$30,000,000)
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	(\$7,500,000)	(\$7,500,000)	(\$7,500,000)	(\$7,500,000)	(\$30,000,000)

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.

REVENUE EXPLANATION

The state's exposure to the credit provided by the bill is \$7.5 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 the maximum allowed by the bill, but the bill limits the Dept. of Revenue to granting credit claims of no more than \$7.5 million per year. The earliest credits are likely to be claimed against tax liabilities is FY22, and realizations may ramp-up to the maximum annual exposure from lower levels initially.

It can be noted that the state has offered a variety of tax credits associated with the hiring of targeted segments of the population. These credit programs have generally been utilized sparingly and sporadically. While past experience can not guarantee future performance of a new program, this history suggests that the ultimate credit cost of the bill may be materially lower than the maximum exposure allowed by the bill.

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