LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 8** SLS 21RS 82
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 8, 2021 5:39 PM
Author: PEACOCK
Dept./Agy.: Revenue
Subject: Tax Credit for Conversion of Alternative Fuel Vehicles
Analyst: Greg Albrecht

TAX/TAXATION EN +$478,000 GF RV See Note

Accelerates the sunset date for the tax credit for the conversion of alternative fuel vehicles. (7/1/21)

Current law provides a tax credit for a portion of the cost of qualifying clean-burning motor vehicle fuel property. For purchases installed in a vehicle or the building of fueling stations after June 21, 2017, the credit is 30% of the cost. For qualifying new vehicle purchases after June 26, 2017 the credit is the lesser of 10% of the cost or $2,500. For all purchases of qualifying clean-burning motor vehicle fuel property after January 1, 2018, the credit is nonrefundable. The credit terminates on January 1, 2022.

Proposed law terminates the credit for purchases of vehicles on July 1, 2021, six months earlier than current, and retains the 30% credit for the purchase or installation of qualified clean-burning motor vehicle fuel property (fueling stations, with electricity added) until January 1, 2022.
Effective July 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	$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.	$478,000	$0	$0	$0	$0	**$478,000**
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$478,000**	**$0**	**$0**	**$0**	**$0**	**$478,000**

EXPENDITURE EXPLANATION

The Department of Revenue will incur small one-time costs of IT staff time to modify and test the tax return processing system to incorporate the change in termination date of this credit.

REVENUE EXPLANATION

Vehicles: The credit is currently scheduled to expire after December 31, 2021, and would be allowed on the tax year 2021 returns for the last time, affecting FY22 net receipts. Credits affecting the last two completed fiscal years averaged $1.482 million; $1.376M FY19 and $1.588M FY20, primarily reflecting purchases in tax years 2018 and 2019. According to the Dept of Revenue, only $207,000 of credit claim was for a fueling station on 2018 and 2019 corporate returns. Deducting that amount from the two-year average above, leaves an average of $1.275 million that can be used as a likely baseline of purchases in tax year 2021 and credit costs in FY22. Approximately one-half of those credit costs might expected to be realized against FY22 net receipts with the termination provided by this bill, halfway through 2021, with a comparable net revenue gain in FY22 attributable to purchases made in the second half of 2021 without benefit of the credit (or $638,000). However, knowledge of the accelerated termination of the credit benefit may encourage accelerated purchases by individuals and businesses to obtain the credit. A 25% discount to the potential credit savings is assumed to recognize this possibility. The result is a one time increase in state net receipts for FY22 of $478,000 (and a one time additional loss to FY21 of $163,000).

Fueling Stations: The bill allows the 30% tax credit for fueling station costs, including electricity, to stay effective for the second half of 2021 (through December 31, 2021), until its scheduled termination in current law. According to the Dept of Revenue, only $207,000 of credit claim was for a fueling station on 2018 and 2019 corporate returns. The difference in termination dates between vehicles versus fueling stations suggests there are one or more fueling station projects in progress that require additional time to complete in order to receive the available 30% tax credit in current law. If that is the case, such projects would receive the credit under current law anyway, and that credit cost can not be attributed to this bill.

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}

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