LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 678** HLS 21RS 575
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 15, 2021 9:37 AM
Author: DUPLESSIS
Dept./Agy.: Revenue
Subject: Tax Credit For Work-Release and Earned Income Tax Credit
Analyst: Greg Albrecht

TAX CREDITS EN DECREASE GF RV See Note
Provides for the Louisiana work opportunity tax credit

Proposed law provides a nonrefundable tax credit for businesses that hire participants in the work-release programs provided in R.S. 15:1711, 1111, 1199.9, and 1199.10. The credit is 5% of the wages paid for 12 consecutive months of employment after release. Credits are limited to one time at $2,500 per re-entrant. Unused credits amounts have a five-year carry-forward period. Applicable to re-entrants released on or after January 1, 2021. No credit shall be granted after June 30, 2027.

Proposed law extends the current law earned income tax credit of 5% of the federal credit through December 31, 2030. The 5% credit was scheduled to drop to 3.5% after December 31, 2025.

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.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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**

EXPENDITURE EXPLANATION
The Department of Revenue indicates that the costs to modify and test tax systems to incorporate an additional tax credit typically ranges from approximately $25,000 - $50,000 of staff time, with costs dependent upon the various conditions of credits that have to be managed for compliance.

REVENUE EXPLANATION
Work-Release Tax Credit: The Dept. of Corrections Briefing Book, July 2020, contains various metrics regarding the state's prison population, including inmates participating in transitional work programs. A Fact Sheet as of June 30, 2020 indicated 1,647 offenders in transitional work programs. This is presumably at least a portion of the inmate population targeted by the bill (the bill extends eligibility to former inmates, and it is unclear if inmates in local programs referenced by the bill are included in the dept. count). Hypothetical one-time state exposure from the bill's credit applied to this inmate count working full-time at minimum wage for 12 months is approximately $1.2 million. Actual exposure from this count is likely to be considerably smaller. The bill contains conditions on eligible jobs and requires 12 consecutive months of participating employment after release from imprisonment (although the per participant credit limit of $2,500 implies more exposure, it also implies an unlikely wage of level $50,000).

It can be noted that the state has offered a variety of tax credits associated with the hiring of targeted segments of the population, including first-time offenders and re-entrants from prison. These credit programs have generally been utilized sparingly and sporadically, if at all. Past programs have differed in eligibility and credit benefits, and 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 any maximum exposure allowed by the bill.

The bill makes credits available for employment of eligible re-entrants with release dates occurring on or after January 1, 2021. The 12-month consecutive employment requirement makes it most likely that the earliest fiscal year of any credit cost to the state would be FY23.

EITC extension beyond tax year 2025 (FY26) through tax year 2030 (FY31): The bill also extends the current law 5% earned income tax credit, that is currently scheduled to drop to 3.5% after tax year 2025 (realization after FY26). Currently, the 5% credit reduces state net individual income tax receipts by some $68.5 million per year. After tax year 2025 (FY26), the drop to 3.5% implies a credit cost of about $48 million per year. While outside the fiscal note horizon, this bill will continue the $68.5 million level of credit cost under existing federal credit provisions, or an additional $20.5 million per year relative to what would otherwise be the case under current law.

Senate Dual Referral Rules
- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 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}

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