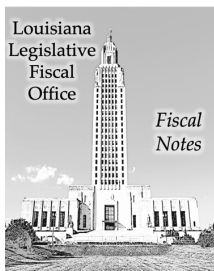


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 680** HLS 21RS 1409
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 15, 2021 10:19 AM	Author: HUGHES
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Tax Credits: Hiring Disadvantaged Youth & Apprenticeships	

TAX CREDITS EN -\$1,200,000 GF RV See Note Page 1 of 2
 Establishes the Louisiana Youth Jobs Tax Credit Program

Proposed law 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 \$5 million. Credits are nonrefundable with a five-year carry-forward for unused credit amounts. No credits shall be earned after December 31, 2025.

Proposed law also provides a nonrefundable apprenticeship tax credit against income and corporation franchise tax equal to \$1.25 per hour of employment for each apprentice up to \$1,250 per year. Unused credits may be carried forward for five years. Apprenticeship eligibility is specified. The total amount of the tax credit granted shall not exceed \$2 M per year. Applicable for tax years beginning after December 31, 2021 (2022 tax year). No credit shall be granted before January 1, 2022 or after December 31, 2028. Effective upon governor's signature.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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>	<u>\$0</u>
Annual Total						
REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	(\$360,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$5,160,000)
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>	<u>\$0</u>
Annual Total	(\$360,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$5,160,000)

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. These credits may cost more to setup and administer since they require maintaining annual caps on the amount of credit to be granted each year. Additional staffing may be required to administer the two programs' various and differing requirements and caps. Depending on participation, annual administrative costs could exceed \$100,000.

REVENUE EXPLANATION

The state's exposure to the disadvantaged youth hiring tax credit provided by the bill is \$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 \$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 this component of the bill may be materially lower than the maximum exposure allowed by the bill. No cost from this component is included in the revenue table above.

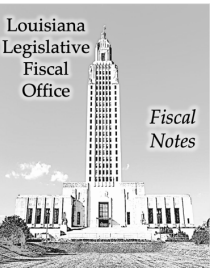
In addition, the bill appears to largely reinstate the apprenticeship tax credit established by legislation in 2007, extended in 2011, and repealed in 2015. However, the current measure increases the credit to \$1.25 per hour of employment (instead of \$1), sets a cap at \$2M per year, and changes the carry forward to five years (instead of ten). The Louisiana Department of Revenue (LDR) provided historical data on the previous similar tax credit (see page two).

Using the historical credit claims data from the previous program, and assuming comparable participation in the reinstated program provided by this bill, an estimate of the potential state tax credit amount is obtained. The average credit realized between FY 10 and FY 15 was \$959,000. With the increase to \$1.25 per hour in this bill, this would increase the average annual claims to \$1.2 million for FY 22-26. (see page two for historical data)

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



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CONTINUED EXPLANATION from page one:

FY	Total
FYE 6/09	\$ 293,380
FYE 6/10	\$ 905,860
FYE 6/11	\$ 1,088,705
FYE 6/12	\$ 845,226
FYE 6/13	\$ 957,874
FYE 6/14	\$ 1,121,411
FYE 6/15	\$ 834,331

Credits continued to be claimed after FY15 in diminishing amounts under the carry-forward provisions of previous law.

However, this measure does increase the universe of eligible apprentices, thus there may be an indeterminable increase in the amount granted each year depending on the increase in the number of apprentices above this historical example. First year credits would likely be smaller as the program ramps back up (historically, 30% of average annual), and this bill caps the annual maximum amount of credits allowed at \$2 M. Since credits can be claimed against the franchise tax, and that tax is paid in advance, the first fiscal year of possible credit exposure is FY 22.

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}

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