LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 6** SLS 23RS 100
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 12, 2023 2:19 PM
Author: ALLAIN
Dept./Agy.: Economic Development/Revenue
Subject: Reduces Quality Jobs in relation to CFT trigger
Analyst: Deborah Vivien

TAX/FRANCHISE/CORPORATE OR SEE FISC NOTE GF RV

Reduces the rate of the Quality Jobs Program project facility expense rebate when certain conditions are met. (1/1/24)

Current law provides for the Quality Jobs Program, which allows eligible businesses an annual payroll rebate as well as either a state sales tax rebate on expenses related to expansion or machinery, or 1.5% of qualifying capital expenditures on eligible project facilities. Current law imposes a corporate franchise tax at $2.75/$1,000 of capital employed in the state over $300,000, as set in statute by the legislature. An annual trigger will reduce the corporate franchise tax rate if general fund collections, corporate income tax collections and the Budget Stabilization Fund balance reach certain benchmarks.

Proposed law will reduce the sales tax rebate and the project facility rebate in the Quality Jobs program by the same amount as any reduction in the corporate franchise tax, whether set by the legislature or imposed by the trigger.

EXPENDITURES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**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	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. LED is responsible for the initial QJP applications and LDR is responsible for calculating, approving and disbursing the rebates. Implementation expenses due to the aggregate affect of session actions may require additional resources for one or both departments.

REVENUE EXPLANATION

The bill will only have a fiscal impact if a corporate franchise tax rate reduction is triggered or enacted by the legislature. This bill does not change the corporate franchise rate and will have no effect unless the corporate franchise tax rate is reduced due to circumstances not addressed in this bill. The fiscal note acknowledges that a reduction in Quality Job Program rebates mandated in this bill will necessarily be preceded by a decrease in corporate franchise tax and therefore address a comparison.

Any decreases to the Quality Jobs Program (QJP) rebates will increase the state general fund. Conversely, a reduction in the corporate franchise tax (CFT) rate will decrease either the SGF or a statutory dedication, since all corporate income and franchise tax combined collections over $600 M accrue to Revenue Stabilization Trust Fund (RSTF) and those under $600 M to the SGF. It is not certain whether fewer corporate collections will be offset completely or at all by smaller QJP rebates due to the potential for mismatched means of finance. Using the current FY 24 REC forecast of corporate combined, only the SGF would be impacted since the current corporate combined estimate is near $600 M.

For comparison, a 10% reduction in the CFT rate for TY 2024 and a like decrease in the QJP rebates beginning with projects noticed in TY 2024 will result in an estimated net negative impact to the SGF of about $11.3 M by FY 27, the last year of the official forecast. In this estimate, CFT proceeds would decrease by about $18.1 M offset by an increase in SGF of $6.8 M from smaller QJP rebates. This figure assumes that CFT makes up 30% of corporate combined with single tax year collections spread over 3 years (collections of one tax year over three years at 45%, 50%, and 5%), new QJP projects are about 60% of QJP costs (phased in from FY 25 as new projects are added) increasing to $190 M by FY 27, which is the 2023 Tax Exemption Budget estimate. The rebates are assumed to be about 60% of new project costs. Actual results will depend on the amount that CFT rates are decreased (either by trigger or legislation), the timing of the impacts as CFT collections and QJP rebates may not hit the fisc at the same time, and/or whether corporate combined collections are above or below $600 M.

Under these assumptions, which can be highly volatile and uncertain, the QJP rebate would mitigate almost 40% of the CFT reduction once the rate changes are fully instituted. However, actual results will depend on the circumstances of tax collections at the time of the rate decrease: it is not know if each fiscal year impacted by the bill has a net state general fund impact, an increase in state general fund and a decrease to a statutory dedication, or a combination of the two. Given the differences in expected magnitudes, QJP rebate reductions do not appear likely to entirely offset a CFT rate reduction, even without timing issues.

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}

Alan M. Boxberger

Alan M. Boxberger
Interim Legislative Fiscal Officer