



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 452** HLS 23RS 767
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|----------------------------------|
| Date: April 14, 2023 2:38 PM | Author: BOURRIAQUE |
| Dept./Agy.: LA Housing Corporation/ Revenue/ Insurance | Analyst: Benjamin Vincent |
| Subject: Low Income Housing Tax Credit | |

TAX CREDITS OR -\$100,000,000 GF RV See Note Page 1 of 1
 Establishes a tax credit for the development of certain affordable housing projects

Proposed law allows a transferable credit against individual or corporation income tax, franchise tax, or insurance premium tax liability for eligible expenditures under the federal Low Income Housing Tax Credit (LIHTC) program. Proposed law specifies that the credit shall be equal to the federal credit awarded, and paid in equal installments over six years. Additionally, proposed law specifies that the total credits awarded in any calendar year shall not exceed \$100 million, and that no credits shall be awarded after December 31, 2029.

Effective July 1, 2023, and applicable to tax years beginning on or after January 1, 2024.

| 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. | \$310,000 | \$310,000 | \$310,000 | \$310,000 | \$310,000 | \$1,550,000 |
| 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 | \$310,000 | \$310,000 | \$310,000 | \$310,000 | \$310,000 | \$1,550,000 |

| REVENUES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| State Gen. Fd. | \$0 | (\$16,700,000) | (\$33,400,000) | (\$50,100,000) | (\$66,800,000) | (\$167,000,000) |
| Agy. Self-Gen. | \$310,000 | \$310,000 | \$310,000 | \$310,000 | \$310,000 | \$1,550,000 |
| 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 | \$310,000 | (\$16,390,000) | (\$33,090,000) | (\$49,790,000) | (\$66,490,000) | (\$165,450,000) |

EXPENDITURE EXPLANATION

Requires the Louisiana Housing Corporation (LHC) to award credits via an application process, and authorizes a credit processing fee. Directs LHC to notify the Secretary of Revenue (LDR) and Commissioner of Insurance, certifying the award amount. LHC anticipates approximately 70 applicants per year, and estimates annual costs of \$210,000. Additionally, both Department of Insurance (DOI) and LDR could incur processing costs (estimated at \$50,000 each annually) to accommodate unlimited transferability with both agencies authorized to charge transfer fees in the bill. **Cost estimates assume a tax declaration will be required during the award process to keep the premium tax credits separate from the income/franchise credits and no cross-transfers will be allowed.**

REVENUE EXPLANATION

Proposed law would effectively double the total tax credit received by LIHTC participants, by matching the federal credit with a transferable state credit against either individual income, corporate income, corporate franchise, or insurance premium tax. Proposed law caps credits awarded by the state at \$100 million per calendar year, and allows no new credits to be awarded after December 31, 2029.

SGF Impacts

LIHTC awards and waiting list data over the past few years suggest that 70 awards per year is a reasonable projection, given significant recent growth in program participation. For the 54 Louisiana projects listed on LHC's 2023 federal credit funding waiting list, the average award was approximately \$1.1 million, totaling \$56.7 million in eligible participation under the current federal credit. LFO notes that a large new credit may increase either program participation, or the size and cost of some eligible projects, or both.

Under the assumption of 70 participants per year, an average of a \$1.1 million credit per participant, adjusted for residential construction inflation, LFO anticipates that credit awards in future years would reach the \$100 million maximum annually. This full-year impact is reflected in the reader board total.

Credits are allowed for eligible projects over six taxable years (2024-2029), and the credit must be taken in equal installments over six years. This implies a ramp-up of credits realized in each year until the full-year impact of \$100 million is realized in FY30. A similar ramp-down would impact SGF collections through FY35.

SGR Impacts

LHC anticipates approximately 70 applicants per year, and intends to charge an application fee of \$3,000, fully offsetting the anticipated \$210,000 in expenditures. Additionally, to the extent credits are transferred, LDR and DOI self-generated fee revenue will increase.

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}

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