



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 426** HLS 23RS 323
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

Date: April 17, 2023 4:52 PM	Author: BRYANT
Dept./Agy.: Revenue/Public Safety	
Subject: Expands work opportunity tax credit	Analyst: Benjamin Vincent

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Provides relative to the work opportunity tax credit for businesses that hire certain formerly incarcerated persons

Current 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 retains current law and expands the Work Opportunity Tax Credit beyond the work-release program to include any business hiring any re-entrants up to 24 months after release, including those prohibited from participating in work release programs. The Department of Public Safety will certify re-entrants. The Department of Revenue will determine documentation required to verify appropriate employment. Note considers house amendment HCAHB426 2709 1197.

EXPENDITURES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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>	\$0
Annual Total						

REVENUES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	\$0
Annual Total						

EXPENDITURE EXPLANATION
 Besides system changes, the Department of Revenue may incur expenses related to the verification of employment and validation of documentary requirements, with costs dependent upon the various conditions of credits that have to be managed for compliance. The Department of Public Safety may incur similar system expenses related to the certification of re-entrants. Presumably, there are no other verifications needed from other state agencies.

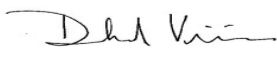
REVENUE EXPLANATION
 The bill expands the current Work Opportunity credit to include any business employing any re-entrant (up to 24 months after release) for 12 consecutive months without the requirement that the job is part of a work-release program. To the extent that additional credits are claimed, state general fund will decrease.

The Dept. of Corrections Briefing Book, January 2023, contains various metrics regarding the state's prison population, including inmates participating in transitional work programs and the number of releases, with 1,640 offenders in transitional work programs and roughly 26,000 releases over two years. The bill significantly increases the eligible population of re-entrants and the number of jobs that could qualify for the credit (those outside of the work-release program). Hypothetical one-time state exposure from the bill's credit applied to 10% of this inmate count working full-time at minimum wage for 12 months is approximately \$2.0 million. Actual exposure from this count may 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. While 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. Data concerning actual utilization of the original Work Opportunity Credit are not yet established.

Given the effective date of the bill, the 12-month consecutive employment requirement makes it most likely that the earliest fiscal year of any credit cost to the state of this new expansion would be FY24. However, it is not clear whether the bill would retroactively qualify these expanded provisions.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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