



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 183** SLS 23RS 337
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 24, 2023	12:27 PM	Author: TALBOT
Dept./Agy.: Revenue		
Subject: Allows Deduction & Fortify Homes Grant for Roof Improvements		Analyst: Benjamin Vincent

TAX/INCOME/PERSONAL EG DECREASE GF RV See Note Page 1 of 1
 Provides relative to the construction code retrofitting deduction for individual income tax. (gov sig)

Current law allows an individual income tax deduction for 50% of the cost of retrofitting a homestead-exempt residential structure (excluding rental property) for expenses related to voluntarily bringing the structure up to State Uniform Construction Code standards. The taxpayer may not receive any other state tax credit, exemption, exclusion, deduction or other tax benefit for the same expenses.

Proposed law retains current law and allows a taxpayer to receive the construction code retrofitting deduction along with a grant from the Louisiana Fortify Homes Program, which may provide a grant to retrofit roofs on the same properties up to "fortified roof" standards of the Insurance Institute for Business and Home Safety. Effective upon governor's signature, and applicable to taxable years beginning on or after January 1, 2023.

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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$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.	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

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department will no longer be required to match LA Fortify Homes grant recipients with those taking the construction code retrofitting deduction.

REVENUE EXPLANATION

The bill will allow an IIT deduction in the amount of the LA Fortify Homes grant (and any additional eligible expenses) for taxpayers who are granted funds and complete the work to upgrade a roof on a homestead-exempt property to "fortified roof" standards. Current law disallows taking two state tax incentives for the same expenses. The FY22 Tax Exemption Budget reports a negligible claims of the current construction retrofitting deduction over the last few years. Assuming that some number of LFH grants will also be eligible for the existing deduction, as allowed in the bill, state general fund will decrease, depending on funding of the grants and timing of the upgrades. Proposed law defines eligible expenditures to retroactively include those made as far back as January 1, 2023.

Public testimony by the Commissioner of Insurance indicates that the LA Fortify Homes (LFH) program aspires to provide grants of \$10,000 per eligible taxpayer. The number of actual grant recipients will depend on program funding and the number of taxpayers upgrading a homestead-exempt roof. Currently, the LFH program is not funded. However, hypothetically, if each of the recipients of the \$10,000 LFH grant is allowed a deduction of the grant value, the average IIT tax burden would decrease by \$310, assuming an effective IIT rate of 3.1%. Scaling this figure to a statewide impact would only be useful once program funding is known in order to determine the number of potential recipients.

As an illustration, if \$40M is provided to the LFH program and disbursed to taxpayer as \$10,000 grants, then 4,000 taxpayers could receive the maximum grant. If all 4,000 grant recipients claimed the deduction for the grant amount at a 3.1% effective tax rate, state general fund revenue would decline by \$1.24M due to the deduction (fiscal year timing would depend on spending patterns). Any additional expenditures for the "fortified roof" upgrade in excess of the grant value may also qualify for the deduction, which would make the impact to the state general fund greater than estimated.

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}

Deborah Vivien
Chief Economist