LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB** **170** SLS 23RS 339

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 28, 2023 5:25 PM	**Author:** CARTER, GARY
Dept./Agy.: Dept. of Economic Development / Dept. of Revenue	
Subject: Tax Credit Program for LA-based Manufacturing Industries	**Analyst:** Noah O'Dell

TAX/TAXATION OR -$1,000,000 GF RV See Note

Establishes a tax credit pilot program for certain Louisiana-based manufacturing industries. (gov sig)

Proposed law authorizes income tax credits for eligible expenditures associated with construction and equipping certain manufacturing projects in the state. To qualify, project capital costs shall not exceed $5 M. Credits per project can be for up to 50% of eligible expenditures, but not greater than $50,000 per project. Credits are nonrefundable but can be carried forward for up to five years. Credits can not be applied against tax liabilities for periods before January 1, 2024. Total credits that can be granted are $500,000 per year and capped at $1 M over the two-year life of the program. Any credits not issued in the first year, may be issued in the second. A maximum of $250,000 of total claims are allowable each year, on a first-come, first-served basis, with any year's excess claim amounts being first in line for the following year. Any year's unused claim amount is added to the next year's maximum allowance. No credits shall be issued on or after December 31, 2025.

EXPENDITURES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	SEE BELOW	$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**

REVENUES	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	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	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

Proposed law increases government expenditures in the Department of Economic Development (LED) and the Department of Revenue (LDR).

LED anticipates a one-time expenditure on the creation of an additional module for the FastLane platform. Recurring expenditures may be necessary to adjust the fast-lane program in time, but costs are estimated to be minimal. LED indicates the existing staff and resources should be sufficient to administer the program, given the $1 M program cap.

LDR will likely incur tax system modification costs. Any additional resources required of LDR are an increase in self-generated expenditures, which translates to a state general fund reduction since LDR reverts excess self-generated revenue to the state general fund.

REVENUE EXPLANATION

Proposed law establishes a two-year program for subsidizing a portion of the costs associated with qualifying manufacturing projects. Total exposure of the state fisc is limited to $1 M over the life of the program with a front-end two-year credit issuance window for LED and a back-end five-year credit claiming window for taxpayers to redeem from LDR. The magnitude and timing of annual cost realizations are unknown and will depend on implementation of the program's applications, certifications, credit awards, credit claims, and carry-forwards. The Legislative Fiscal Office (LFO) assumes that providing the "tax credits shall not be applied against an applicant's tax liability before January 1, 2024" means that credits can first be claimed against tax year 2024 income tax liabilities. This implies the first fiscal year of credit exposure to income tax is FY 25, and the last potential year of credit exposure is FY 31.

Annual revenue losses would likely ramp-up over time; possibly being less than the $250,000 annual threshold initially, but greater than that later as unused annual credit capacity is rolled forward, accumulated, and realized in later periods.

Any additional resources required of LDR are an increase in self-generated expenditures, which translates to a state general fund reduction since LDR reverts excess self-generated revenue to the state general fund.

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}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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