

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 614** HLS 23RS 1107

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 29, 2023	10:59 PM	Author: RISER
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Tax Credits: Packaged Fire Safety Eqpt Manufacturers		

TAX CREDITS OR -\$50,000,000 GF RV See Note Page 1 of 1
Establishes the Louisiana Onshore and Offshore Packaged Fire Safety Equipment Income Tax Credit program

Proposed law authorizes a nonrefundable credit against Louisiana income tax for certain manufacturers of packaged fire safety equipment, in an amount equal to the manufacturer's total purchase orders of packaged fire safety equipment in that taxable year. Proposed law limits any calendar year's authorized credits to \$50 million, and authorizes a five-year carryforward. Proposed law specifies several additional requirements that restrict manufacturer eligibility, including a requirement for the manufacturer to be located in an Enterprise Zone, to maintain a workforce of at least 50% formerly incarcerated individuals, and to spend at least 10% of the credit on housing for participants in either a DPS reentry initiative or transitional work program. Proposed law limits eligible purchase orders to those made for onshore and offshore oil and gas applications, and authorizes the manufacturer to transfer up to 10% of the credit to certain customers. Applicable to taxable periods beginning on or after January 1, 2024. No credits will be issued after December 31, 2028.

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.	\$77,000	\$0	\$0	\$0	\$0	\$77,000
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>	<u>\$0</u>
Annual Total	\$77,000	\$0	\$0	\$0	\$0	\$77,000

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	(\$50,000,000)	(\$50,000,000)	(\$50,000,000)	(\$50,000,000)	(\$200,000,000)
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>	<u>\$0</u>
Annual Total		(\$50,000,000)	(\$50,000,000)	(\$50,000,000)	(\$50,000,000)	(\$200,000,000)

EXPENDITURE EXPLANATION

LDR reports that in order to accommodate the new credit and a reporting mechanism for particular participation requirements, up-front costs including programming, testing, and system development are expected, estimated at approximately \$77,000 of staff time. Any increase in LDR expenses will be paid with self-generated revenue which may decrease the LDR reversion to the state general fund, and thus potentially reduce state general fund revenue.

REVENUE EXPLANATION

Proposed law authorizes a credit in an amount equal to certain manufacturers' purchase orders, and places numerous restrictions on eligible manufacturers. The items specified as eligible for the credit appear to be heavy-duty fabricated metal items, implying purchases that are relatively expensive, in support of a high-cost oil and gas production activity. It is thus plausible that \$50 million in annual eligible purchases in any given year could be realized.

Despite a relatively narrow range of manufacturers that are likely to be eligible, LFO and LDR are unable to identify a reliable estimate of total firms or activity in the apparent target industry and region with sufficient precision to estimate eligible sales. LFO assumes that the maximum credit authorization will be realized, as reflected in the table above. Proposed law's full impact on tax receipts would be realized during filing season for taxable year 2024, which would take place in FY25. However, as the credit applies toward either corporate or personal income tax, LFO assumes that anticipatory adjustments in estimated payments for taxable year 2024 may be made in early 2024, also impacting revenues to an indeterminable extent in FY24.

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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