



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 622** HLS 23RS 1279  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 30, 2023	2:59 PM	<b>Author:</b> BEAULLIEU
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Net Operating Loss Deduction Carryforward Expansion		

TAX/CORP INCOME OR -\$68,000,000 GF RV See Note Page 1 of 1  
 Increases the net operating loss deduction allowed for tax year 2023 and thereafter

Current law limits the utilization for a taxable year of net operating loss deductions to 72% of the net operating loss carryovers to the taxable year, with the deduction limited to 72% of Louisiana net income.

Proposed law allows the full amount of net operating loss carryovers to the tax year to be utilized.

Applicable to tax years beginning on or after January 1, 2023.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	(\$12,000,000)	(\$61,000,000)	(\$68,000,000)	(\$68,000,000)	(\$68,000,000)	<b>(\$277,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>(\$12,000,000)</b>	<b>(\$61,000,000)</b>	<b>(\$68,000,000)</b>	<b>(\$68,000,000)</b>	<b>(\$68,000,000)</b>	<b>(\$277,000,000)</b>

**EXPENDITURE EXPLANATION**

The Dept. of Revenue will incur some tax system modification costs to incorporate the change provided by this bill. Typically, these costs are reflected in several thousand dollars of IT staff time.

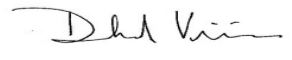
**REVENUE EXPLANATION**

The Dept. of Revenue recalculated 2020 corporate income tax returns that claimed net operating loss deduction under the bill's 100% deduction allowance versus the 72% allowance in current law. The difference of \$68 million reflects the revenue loss for a given tax year. This annual liability loss has to be translated to fiscal year effects recognizing the filing pattern of firms (18% in the immediate fiscal year, 72% by the second fiscal year, and 10% by the third fiscal year).

This staggered effect causes a ramp-up in annual revenue loss over three fiscal years such that the revenue loss in FY24 is \$12 million, in FY25 \$61 million, and in FY26 and beyond \$68 million per year. The bill is first effective for tax year 2023, thus the first fiscal year of effect is 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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