LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 195** SLS 23RS 354

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 1, 2023 6:20 PM

Author: DUPLESSIS

Dept./Agy.: Revenue/Insurance

Subject: Tax Credits: Payments Towards a Deductible

Analyst: Benjamin Vincent

TAX/INCOME/PERSONAL OR DECREASE GF RV See Note

Establishes an individual income tax credit for payments made toward a homeowner's insurance deductible for certain losses. (1/1/24)

Proposed law authorizes a credit against individual income tax for payments toward any deductible for losses under a homeowner's insurance policy in the state for a primary residence. The credit is refundable for taxpayers with less than $25,000 federal adjusted gross income (FAGI), and the credit is nonrefundable with a five-year carryforward period for taxpayers with FAGI of $25,000 or more.

Effective January 1, 2024.

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.	$224,000	$173,000	$173,000	$173,000	$173,000	**$916,000**
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	**$224,000**	**$173,000**	**$173,000**	**$173,000**	**$173,000**	**$916,000**

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	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

LDR anticipates additional expenditures for computer system development and modification, tax form redesign, and testing. These costs are estimated at approximately $51,000 of staff time. Additionally, LDR anticipates significant taxpayer compliance and assistance requirements for occasions when this credit would be heavily used, estimated at two additional Revenue Tax Specialists ($51,199 salary each, approximately $173,000 total recurring expenditure in Personal Services).

REVENUE EXPLANATION

Revenue impacts due to proposed law would be realized in any year during which natural disasters cause losses that homeowners insure against. To the extent that some taxpayers receiving the nonrefundable credit have insufficient tax liability to exhaust the credit, the revenue impact would be realized in some future fiscal year. Estimating the magnitude or timing of revenue impacts would be speculative, however in years with major hurricanes, revenue losses to the general fund may be significant.

Proposed law authorizes a credit for deductibles paid during a calendar year for losses under certain insurance policies on a primary residence in Louisiana. The amount of the credit is the amount of payment towards a homeowner's policy deductible or a separate deductible (such as on a hurricane, named storm, or wind & hail policy), whichever is greater. The credit is refundable for taxpayers with less than $25,000 FAGI, and nonrefundable with a five-year carryforward for taxpayers with FAGI of $25,000 or more.

For informational purposes, a reasonable estimate of "primary residences" may be the 1.18 million homestead residential properties reported by the LA Tax Commission. Deductibles on homeowner's policies are frequently in the $500 - $2,000 dollar range or higher for named storm deductibles. **Estimates in the public domain suggest that during Hurricane Laura, approximately 430,000 residences may have been damaged. In a scenario where a similar number of residences were sufficiently damaged in an area where deductibles averaged $1,000, the implied state general fund revenue reduction would be approximately $430 million.**

The bill has no provisions for individual or program caps.

Senate	Dual Referral Rules	House
[x]	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
[x]	13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	[x] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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