



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 518** HLS 23RS 910
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 7, 2023	3:41 PM	Author: CORMIER
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject:		

TAX/INCOME TAX OR SEE FISC NOTE GF RV Page 1 of 1
 Provides for establishment of substantial nexus for purposes of income tax administration

Proposed law establishes property, sales, and payroll thresholds for individuals and business entities that are not domiciled or organized within the state for consideration as having substantial nexus within the state, for the purposes of income tax. Proposed law establishes methods for measuring quantities as countable toward the thresholds, and provides a method for adjusting the thresholds for inflation. Proposed law updates the types of income to be considered allocable for purposes of corporate income tax, and repeals the current-law provision that specifies a particular procedure by which certain profits & losses not made in the regular course of business are attributed to Louisiana.

Effective upon governor's signature, and applicable to taxable periods 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.	INCREASE	\$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

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

LDR reports that implementation of proposed law will require additional expenditures for system modification, development and testing, and tax form modification. The change is estimated at \$77,000 of staff time.

REVENUE EXPLANATION

Proposed law establishes thresholds as \$50,000 of property, \$50,000 of payroll, \$500,000 of sales within the state, or 25% of the individual or entity's total property, payroll, or sales within the state as meeting the requirements for "substantial nexus", and thus being subject to Louisiana income tax. Proposed law requires annual inflation adjustments based on the Consumer Price Index - Urban (CPI-U) if the CPI-U has changed by more than 5% since the thresholds were previously adjusted.

LDR reports that the definitions, standards, and thresholds within proposed law are common within a multi-state effort at standardizing state business activity taxation, and that similar nexus standards have been adopted by approximately 11 states, including Texas, Tennessee, and Alabama.

Proposed law additionally adds certain profits and losses from the sales of certain capital assets or property, when not made in the regular course of business, to allocable income.

Revenue impacts due to proposed law are indeterminable. LDR reports that data on taxpayers who would be noncompliant with income tax requirements due to nexus standards in proposed law is unavailable, but notes that impact estimates for similar efforts in other states averaged an increase of approximately 0.26%. The impact of the provisions adding certain profits and losses to the definition of allocable income are also indeterminable, subject to individual taxpayer circumstance.

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