

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 452** HLS 23RS 767

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action: **w/ SEN COMM AMD**

Proposed Amd.:

Sub. Bill For.:

Date: May 30, 2023	2:45 PM	Author: BOURRIAQUE
Dept./Agy.: LA Housing Corporation/ Revenue/ Insurance		Analyst: Benjamin Vincent
Subject: Low Income Housing Tax Credit		

TAX CREDITS

EG1 -\$1,700,000 GF RV See Note

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Establishes a tax credit for the development of certain affordable housing projects

Proposed law allows a transferable credit against individual or corporation income tax, franchise tax, or insurance premium tax liability for eligible expenditures under the federal Low Income Housing Tax Credit (LIHTC) program. Proposed law specifies that the credit shall be equal to the federal credit awarded. Additionally, proposed law specifies that the total credits granted over the entire program shall not exceed \$10 million, and that no credits shall be awarded after December 31, 2029. A five-year carryforward is authorized in the event a taxpayer has insufficient liability to exhaust the credit.

Effective July 1, 2023, and applicable to tax years beginning on or after 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.	\$30,000	INCREASE	INCREASE	INCREASE	INCREASE	\$30,000
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>	\$0
Annual Total	\$30,000					\$30,000

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$1,700,000)	(\$8,500,000)
Agy. Self-Gen.	\$30,000	INCREASE	INCREASE	INCREASE	INCREASE	\$30,000
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>	\$0
Annual Total	(\$1,670,000)					(\$1,670,000)

EXPENDITURE EXPLANATION

Requires the Louisiana Housing Corporation (LHC) to award credits via an application process, and authorizes a credit processing fee. Directs LHC to notify the Secretary of Revenue (LDR) and Commissioner of Insurance (DOI), certifying the award amount. A small number of applicants are anticipated given the \$10 million program cap and LFO anticipates that all will apply in the first year, resulting in estimated LHC costs on the order of \$30,000 incurred in FY24.

Additionally, both Department of Insurance (DOI) and LDR may incur processing costs to accommodate transferability with both agencies authorized to charge transfer fees in the bill. Cost estimates assume a tax declaration will be required during the award process to keep the premium tax credits separate from the income/franchise credits, and that no cross-transfers will be allowed.

REVENUE EXPLANATION

Proposed law would effectively double the total tax credit received by LIHTC participants, by matching the federal credit with a transferable state credit against either individual income, corporate income, corporate franchise, or insurance premium tax. Proposed law caps credits granted by the state at \$10 million total, and allows no new credits to be granted after December 31, 2029.

SGF Impacts: Under the expectation of 70 LIHTC participants per year, and an average of a \$1 million credit per participant adjusted for residential construction inflation, LFO anticipates that credit awards in future years would reach the \$10 million maximum in the first year of the bill's effectiveness. This would likely happen relatively quickly, as there appears to be far more than \$10 million in existing participation in the program in any year that would be eligible for the additional state credit. LFO thus assumes that the maximum is reached in the six months of FY24 for which the credit is available. The bill specifies that credits must be claimed in equal installments over six years, spreading the anticipated impact over fiscal years 2024 through 2030.

SGR Impacts: Under an assumption of 10 applicants and LHC's indicated intention to charge a \$3,000 application fee, self-generated revenue would fully offset LHC's anticipated \$30,000 expenditure impact in FY24. Additionally, to the extent credits are transferred, LDR and DOI SGR will increase, reflected above as effectively offsetting LDR and DOI expenditures.

Senate
 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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