



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 186** HLS 25RS 126  
Bill Text Version: **ORIGINAL**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.: **REVISED**

<b>Date:</b> April 25, 2025	6:01 PM	<b>Author:</b> DEWITT
<b>Dept./Agy.:</b> Dept. of Revenue		
<b>Subject:</b> Income Tax Credit: Certain Pay to National Guard / Reserves		<b>Analyst:</b> Noah O'Dell

TAX CREDITS OR -\$5,000,000 GF RV See Note Page 1 of 1  
Authorizes a tax credit for certain employers of La. National Guard members and military reservists

Proposed law authorizes a refundable income tax credit equal to the amount of compensation businesses provide to LA National Guard and military reserve members in reservist differential pay and compensation to employees engaged in inactive duty training, limited to \$5,000 per employer per tax year. The total number of credits issued each calendar year is capped at \$5M. Taxpayers claiming credits must maintain all records and submit them, if requested by the Department of Revenue (LDR), when filing a corporation, individual, or fiduciary income tax return. Credits will be issued on a first-come, first-served basis. LDR shall promulgate rules necessary to implement the credit.

The credit will apply to tax year 2026 and no credits may be claimed in tax years beginning on or after January 1, 2031

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$170,767	\$96,116	\$99,000	\$101,970	\$467,853
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	\$0	\$170,767	\$96,116	\$99,000	\$101,970	\$467,853

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$5,000,000)	(\$20,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

**EXPENDITURE EXPLANATION**  
The bill is anticipated to increase \$170,767 SGR\* and one (1) T.O. in the Department of Revenue (LDR) in FY27. One time costs of \$77,450 are expected in FY27 related to computer system development and return modifications. LDR reports one Revenue Tax Specialist 1 with a salary and related benefits of \$93,317 will be necessary beginning in FY27 to review and process returns claiming the proposed deduction. The department reports the ability to absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during this session is substantive.


**REVENUE EXPLANATION**  
The bill is anticipated to decrease SGF revenue beginning in FY 27 when 2026 tax returns are first filed. Given the number of eligible employers with reservist employees, the refundable nature of the credit, and the presumption that many already offer such compensation, LFO believes the credit is likely to reach the maximum of \$5M.\*

The bill establishes a refundable income tax credit for certain payments to Louisiana National Guard and military reserve members equal to the amount paid in reservist differential pay and compensation to employees engaged in inactive duty training (IDT) limited to \$5,000 per employer per taxable year. The maximum amount of credits that may be issued each calendar year is \$5M, and no credits may be claimed in tax years beginning on or after 1/1/32. LFO cannot determine an impact if a backlog of credits is in place when the ability to make claims ends in tax year 2032.

In the bill, reservist differential pay refers to an optional payment made by a private employer when that employee is called or ordered to active duty. The differential pay is calculated as the amount the employee’s projected earnings from his civilian employer exceeds his actual military pay and allowances over a pay period. Compensation for IDT training is also optional for private employers.

For informational purposes, data from the Department of Veteran affairs and federal data available suggests approximately 22,000 eligible LA National Guard and military reservists in the state (controlled for a possible number of state and federal employees) may meet the eligibility criteria, though a portion may be employed by local governments. Amounts of differential pay could vary widely. As one measure, State Civil Service reports an average of \$3,334 paid per employee in reservist differential pay for approximately 400 state employees for IDT in FY24, which the state is required to provide.

\* The impact may originate as the revenues or expenditures of the LDR retention of 1% of income tax collections initially classified as SGR but ultimately unspent SGR is reverted to the SGF for use in the budget. Further, reductions may accrue to Revenue Stabilization Fund for corporate income tax claims, depending on aggregate collections.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	<b>Deborah Vivien</b> <b>Chief Economist</b>