LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 230** HLS 25RS 529
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 25, 2025 6:43 PM
Author: WALTERS
Dept./Agy.: Department of Revenue
Subject: Motor Vehicle Manufacturing Investment Tax Credit
Analyst: Noah O'Dell

TAX CREDITS OR DECREASE GF RV See Note
Establishes an income tax credit for motor vehicle manufacturers and motor vehicle manufacturing suppliers

Proposed law allows a nonrefundable income tax credit for qualified manufacturing and productive equipment property used in motor vehicle manufacturing or in the activity of supplying goods, components, or services used in motor vehicle manufacturing. The credit amount is calculated as 0.5% to 2.5% of the total aggregate bases of property acquired or constructed by the taxpayer in increments of 0.5% depending on the classification of the property as 3-yr, 5-yr, 7-yr, 10-yr, or 15-yr depreciation. The credit issued to each taxpayer is limited to $10 M per taxable year. No cap exists on the aggregate amount of credits that may be issued or claimed each year. Unused credits may be carried forward for up to ten years. Taxpayers who claim the credit are not eligible for any other state tax credit or any state tax exemption, exclusion, deduction, rebate, or any other state tax preference for activity for which the taxpayer receives this credit.

Applicable to tax years beginning on or after January 1, 2026. No credits may issued after December 31, 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	**$173,384**	**$98,812**	**$101,776**	**$104,830**	**$478,802**
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**	**$173,384**	**$98,812**	**$101,776**	**$104,830**	**$478,802**

REVENUES	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**$0**
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 $173,384 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, modification, and testing. LDR reports one Revenue Tax Auditor I with salary and related benefits of $95,934 will be necessary beginning in FY27 to review and manually verify all tax returns claiming the credit. LDR 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 offers a nonrefundable income tax credit to certain qualifying taxpayers for the manufacturing and productive equipment property involved in motor vehicle manufacturing. To the extent qualifying purchases are made and the credit is claimed, the bill is anticipated to decrease SGF revenue* by an indeterminable amount beginning in FY27 when 2026 returns are filed. Credits issued are limited to $10M per taxpayer annually. No cap exists on the total amount of credits each year.

The anti-stacking provisions in the bill suggest that businesses who claim this investment credit are ineligible for the manufacturing machinery and equipment sales tax exclusion and other state tax incentives that are more lucrative than this credit, likely limiting the number of credits claimed.

The bill provides a broad definition of qualifying taxpayers, such that anyone involved in the supplying of goods, components, or services used in motor vehicle manufacturing may qualify, in addition to those activities explicitly under the Motor Vehicle Manufacturing NAICS code. The amount of the credit issued to each qualified taxpayer is expressed as a percentage of the amount paid for qualified manufacturing and productive equipment property (including certain software), but the exact percentage is determined by the applicable recovery period for the property provided in the Internal Revenue Code. The percentages range from 0.5% to 2.5% of the total amount paid depending on the classification of the property (3-yr, 5-yr, 7-yr, 10-yr, or 15-yr).

LDR reports 20 tax returns in 2022 reported a motor vehicle manufacturing NAICS code with an average LA taxable income of $1.5M and an average tax liability of $137,000. The LFO does not have sufficient information to estimate a likely volume of eligible purchases in future years, but two large projects have recently been announced by Louisiana Economic Development (LED) in Iberville Parish (Koura - EV Battery Supplier) and Ascension Parish (Hyundai - Steel Mill) that appear to be eligible for the credit, given the broad definition of a qualifying taxpayer.

* The SGF impact may originate as the LDR retention of 1% of income initially classified as SGR but ultimately reverted to the SGF for use in the budget. Should LDR reversions cease, this could become an SGR impact. Further, reductions may accrue to Revenue Stabilization Fund for corporate income tax claims, depending on aggregate collections.

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}	[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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