



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: SB 33 SLS 25RS 111

Bill Text Version: ENGROSSED

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

|   |         |                             |
|---|---------|-----------------------------|
| <b>Date:</b> April 29, 2025   | 8:28 PM | <b>Author:</b> ALLAIN       |
| <b>Dept./Agy.:</b> Dept. of Revenue / Division of Administration          |         |                             |
| <b>Subject:</b> Income Tax Credit: Net Savings Credit for State Employees |         | <b>Analyst:</b> Noah O'Dell |

TAX/TAXATIONEG SEE FISC NOTE GF EX See NotePage 1 of 1

Authorizes an income tax credit for eligible state employees that identify cost savings in state agencies. (gov sig)

Proposed law authorizes a nonrefundable individual income tax credit to certain state employees in the amount of 30% of proposed annual state savings approved and certified by the Commission of the Administration. State employees, who are not responsible for the crafting or implementing the effected agency budget, may submit a state savings plan to the head of the agency, who shall submit a recommendation to the Commissioner. The Commissioner has 60 days to review the recommendation and determine if such savings are eligible for the credit. The total number of credits issued any fiscal year is limited to \$10M. Once certified by the Commissioner, the taxpayer is limited in the amount of the credit that may be claimed each tax year: 50% in year 1, 33% in year 2, and 17% in year 3. Unused credits may be carried forward for up to 10 years. Credits shall be certified based on the adoption and promulgation of rules by the Commissioner by Dec. 31, 2025.

Effective upon signature of the governor. No credits to be issued after July 1, 2029.

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

| REVENUES       | 2025-26  | 2026-27  | 2027-28  | 2028-29  | 2029-30  | 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

Division of Administration (DOA) anticipates needing one full-time analyst of \$125,440 (salary and related benefits) to develop/implement the program beginning in FY26. Additional analysts may be required depending on the number of applications received and the workload of verification necessary to ensure savings are achievable before credits are certified.

LDR is anticipated to incur one-time expenditures for minor system design updates, testing, and system development in support of tax return modifications. LFO believes the department is able 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.

LFO has no basis for estimated the savings associated with the program. The realized cost savings to the state are dependent upon the savings proposals submitted by state employees and the successful implementation of involved state agencies. To the extent such proposals are deemed eligible and implemented in such a way that savings are realized, the expenditures (for any particular means of finance) may decrease by an indeterminable amount. The exact timing of those savings depends on the nature of the proposals. To the extent no net savings credits are ever issued but proposals are submitted, the bill make work to increase expenditures associated with the cost of analyst(s) reviewing such proposals.

REVENUE EXPLANATION

To the extent net savings credits are certified by the Commissioner, the bill can only work to decrease SGF revenue as taxpayers claim the credits against state income tax liabilities. The amount of the revenue loss is dependent upon the savings proposals submitted by state employees, certified by the Commissioner, and the tax liability of the taxpayer upon which the nonrefundable credit is claimed against. Unused credits due to insufficient tax liability may be carried forward for up to ten years.

Each credit issued is worth 30% of annual state savings anticipated from adopting the savings proposal. The total number of credits issued each fiscal year is limited to \$10M per fiscal year.

Here is an illustration of how the credit would be awarded and claimed by a taxpayer. If the Commissioner certifies that an employee’s proposal is anticipated to achieve \$1M in annual savings for the state, the employee receives a \$300,000 nonrefundable individual income tax credit. The employee may claim \$150,000 at most when filing the tax return for the taxable year in which the credit was certified by the Commissioner. Then the employee may claim \$100,000 at most on the tax return for the subsequent taxable year (assuming no unused amount was carried forward) and then \$50,000 at most on the next taxable year’s tax return. The employee reserves the right to carry forward any unused amount of the credit for up to ten years.

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| <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 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} | <div>Deborah Vivien<br/>Chief Economist</div> |