



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 65** SLS 25RS 229
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 8, 2025	12:19 PM	Author: FOIL
Dept./Agy.: Revenue		
Subject: Inventory Tax Credit for elective S-Corps		Analyst: Deborah Vivien

TAX/TAXATION RE INCREASE SD RV See Note Page 1 of 2
Provides for the treatment of certain pass through entities under the inventory tax credit. (gov sig)

Current law authorizes a state income tax credit for 100% of local ad valorem taxes paid on inventory (including natural gas storage) up to \$750,000 annually with partial refundability for those filing against personal income tax (PIT). The inventory tax credit is not refundable for C-Corps but can be carried forward if not expired before 1/1/25 for an additional 5 years (base is 10 years). Effective July 1, 2026, current law prohibits credits to be earned against corporate income tax (CIT) for C-Corps, but the credit remains in place if taken against personal income tax (PIT). All credits claimed by partnerships, LLCs and S-Corps are charged against PIT collections.

Proposed law limits inventory tax credits other than PIT credits to inventory taxes paid before July 1, 2026. Proposed law repeals the inventory tax credit for fiduciary taxpayers (trusts and estates) for credits earned on or after July 1, 2026 but allows an additional 10 years of carry forward. Proposed law allows S-Corps to continue to receive the inventory tax credit after July 1, 2026, but only against income taxed at the shareholder level, not against income taxed at the entity level. Proposed law removes cooperatives from the July 1, 2026 repeal of inventory tax credits. Effective with tax year 2026.

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	\$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	\$0	\$0	\$0	\$0	\$0	\$0

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

EXPENDITURE EXPLANATION
LDR may incur expenses or \$25,200 related to administrative requirements. LFO believes that the department can 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

Changing the credit repeal date from corporate fiscal years to date of inventory tax payment
The bill is expected to increase SGF and Statutory Dedication revenue by nearly a full year’s inventory tax credit as a result of limiting inventory tax credits to inventory taxes paid prior to July 1, 2026. Any C-Corp, S-Corp entity or fiduciary filer with a corporate fiscal year beginning between January 1, 2026, and June 30, 2026, will no longer be eligible to claim a credit for 2026 inventory taxes (normally paid at the end of 2026). However, the bill contains an apparent exception for filers in Orleans Parish to claim a credit for taxes paid in early 2026 that other filers statewide with the same corporate fiscal year would no longer be able to claim because their inventory taxes are billed at the end of the calendar year.

In FY 23, inventory tax credits from corporate and fiduciary filers statewide were valued at about \$275 M in the Tax Exemption Budget, with Orleans Parish generating only 2% or \$5.3 M leaving about 98% of the credits attributable to all other entities. Though actual impacts and timing will depend on filing patterns, corporate fiscal years, liabilities and available carryforwards which can be used for an additional 10 years, **this provision is expected to increase state revenue by potentially hundreds of millions of dollars, with most of the estimated increase deposited to the Revenue Stabilization Trust Fund through corporate filings (unless CIT collections fall below \$600 M, in which case it would flow to the SGF)**. The Tax Exemption Budget totals may contain returns from multiple years, which also restricts use of the totals as point estimates for purposes of this note.

Disallowing the credit for fiduciary filers
The bill is expected to increase SGF collections by an indeterminate amount as the inventory tax credit is prohibited for fiduciary and S-Corps paying income tax at the entity level. Fiduciary and S-Corp filers are reported in Personal Income Tax in the official forecast, which is why the impact falls to the SGF. Fiduciary filers (estates and trusts) are prohibited by the bill from taking the inventory tax credit beginning July 1, 2026, which is estimated to increase SGF by about \$2 M annually based on FY 24 collections beginning in FY 27. Earned credits will be eligible for an additional 10 years of carryforward, with actual amounts depending on filing patterns and use of carryforward credits.

(CONTINUED ON PAGE 2)

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input 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 checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Alan M. Boxberger Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2
REVENUE EXPLANATION (Continued)

S-Corp tax credit eligibilty limited to taxes paid at the shareholder

The bill also mandates that, as of July 1, 2026, S-Corps will only earn credits against income taxed as personal income tax (income that is passed through to shareholders), and the inventory tax credit will no longer be available to S-Corps for income tax paid at the entity level. Since S-Corp remittances are included in personal income tax, this provision would increase SGF by the amount of credits claimed against taxes paid at the entity level, again depending on filing patterns and use of carry forward credits. Data that splits S-Corp payments between entity and shareholder is not forecast separately and is not readily available but has been requested. Once received, the note will be updated to a more specific estimate.

Excluding cooperatives from the repeal

The bill allows certain cooperatives to continue to qualify for the inventory tax credit after July 1, 2026. It is presumed that all cooperatives claim a federal income tax deduction for a patronage dividend paid or allocated to members and would therefore be eligible for the credit, which is then claimed by individual members. LDR reports 18 cooperative filers claiming about \$2 M in inventory credits annually. As with all entity filers, the \$500,000 refundability cap and the \$750,000 credit cap apply at cooperative level, not to each individual member.

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}


Alan M. Boxberger
Legislative Fiscal Officer