LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 145** HLS 25RS 497
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **W/ SEN FLOOR AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 11, 2025 11:11 AM
Author: WILDER
Dept./Agy.: Dept. of Revenue
Subject: Income Tax Deduction: Construction Retrofitting
Analyst: Noah O'Dell

TAX/INCOME TAX EGF DECREASE GF RV See Note

Increases the maximum amount of the construction code retrofitting deduction and expands the deduction to cover costs associated with "fortified home" standards compliance

Current law provides for a construction code retrofitting (CR) income tax deduction for 50% of costs paid by a taxpayer to voluntarily retrofit an existing residential structure (with a homestead exemption) to bring it into compliance with the State Uniform Construction Code. The amount of the deduction is capped at $5,000 per qualifying structure. Retrofit is defined as improvements to a previously constructed structure regarding roof deck attachment, secondary water barrier, roof covering, gable ends bracing, roof-to-wall connections, opening protection, and exterior doors (including garage doors). Rental property and the value of costs paid from state, municipal, or federal incentives do not qualify for the deduction. Taxpayers claiming the deduction for a fortified roof may only claim the deduction for amounts in excess of any Fortify Homes program grants.

Proposed law removes the definition of retrofit (which appears to expand eligibility for other retrofittings to a home), doubles the maximum amount of the existing CR deduction from $5,000 to $10,000 per structure, and expands the eligible expenses qualifying for the CR deduction to include retrofitting a homestead exempt residential structure to the fortified home standards of the Insurance Institute for Business and Home Safety (IIBHS). The Dept. of Revenue is mandated to promulgate rules. Effective January 1, 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	**DECREASE**	**DECREASE**	**DECREASE**	**DECREASE**	**$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**

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) is anticipated to incur estimated costs of $13,100 SGR in FY27 related to computer system development, modification, and testing to update the edits on resident and nonresident tax returns. 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. LDR is mandated to promulgate rules related to forms and verification documents necessary for taxpayers claiming the deduction.

REVENUE EXPLANATION

The bill is anticipated to decrease SGF revenue by an indeterminable amount beginning in FY27 when 2026 tax returns are filed. **The senate floor amendments appear to broaden the type of home improvements beyond fortified roofs that may qualify for construction code retrofitting (CR) deduction by removing the definition of "retrofit" in current law, which may potentially increase exposure to the state fisc.** In addition, the bill increases the maximum deduction for current qualified residential improvements from $5,000 to $10,000 and adds projects retrofitting to the fortified home standards of the Insurance Institute for Business and Home Safety (IIBHS), which extend beyond fortified roof. The magnitude of the SGF revenue loss is indeterminable due to the unknown number of claimants who may voluntarily retrofit residential structures with the newly expanded eligibility of retrofits, the fortified home standards, the doubling of the existing deduction, or potential exogenous insurance incentives.

Removing the Definition of Retrofit

Under current law, there is a restrictive list of qualifying residential improvements to a structure that taxpayers may claim under the CR deduction. The bill removes the specific list of improvements, which appears to expand the possible expenses that qualify for the deduction to any retrofit that brings a home into compliance with the State Uniform Construction Code. In the absence of an explicit definition of retrofit, LFO can contemplate a scenario in which the bill permits taxpayers to claim the deduction for improvements made to windows, foundations, ventilation, floodproof measures, HVAC systems, termite control, etc. Should a more expansive definition of retrofit allow additional taxpayers to claim the deduction, this is anticipated to decrease SGF revenue. The annual revenue loss per taxpayer is limited to $300 ($10,000 x 3%) under the bill, but the number of taxpayers who may claim the deduction may be substantial.

Doubling the existing deduction

LDR reports negligible revenue loss in FY23 and about $12,000 in forgone taxes in FY24 under the existing CR deduction for currently eligible retrofits. Using the 2024 data at the 2025 tax rate of 3% and increasing the maximum deduction to $10,000, this would result in a additional revenue loss under $10,000. This assumes the current level of taxpayers claim the deduction moving forward for the same eligible retrofits provided under current law. Should additional retrofits take place due to the higher deduction and new eligibility criteria, the doubling of the deduction work to further increase SGF revenue loss by a potentially material amount.

Adding IIBHS fortified home standards

It is not clear if or how many taxpayers would voluntarily retrofit residential structures into compliance with the newly expanded criteria of the fortified home standards. The Louisiana Fortified Home Program (LFHP) and the Office of Property ... **CONTINUE ON PAGE 2**

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 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}

Deborah Vivien
Chief Economist

CONTINUED EXPLANATION from page one:

and Casualty (OPC) report there are different levels of fortified homes standards (Fortified Roof, Fortified Silver, and Fortified Gold) established by IIBHS which vary in costs but appear to qualify for the deduction under the bill. However, LFHP and OPC do not have the data or building code expertise to provide an estimate or cost analysis associated with the bill. Of note, taxpayers may have to pay between $275-$600 to certain certified evaluators to obtain the necessary certification documentation from the IIBHS. Given the recent rise in popularity of fortified homes, LFO anticipates a number of taxpayers each year will likely claim the deduction associated with roof fortification, in the absence of other tax incentives or grant availability. These factors, along with potential insurance incentives, leave LFO unable to form the basis for an exact estimated revenue impact of the bill, which may be material.

Note: The SGF impact may originate as the LDR retention of 1% of income tax collections 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.