

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 121** SLS 13RS 355
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Economic Development / Revenue **Analyst:** Greg Albrecht
Subject: Port Investor Tax Credit / Import Export Cargo Tax Credit

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1

Makes changes to both the Investor Tax Credit and the Import Export Cargo Credit of the Ports of Louisiana Tax Credit Program and provides a new termination date for the credit. (8/1/13)

Current law provides a Port Investor Tax Credit against income taxes equivalent to 5% per year of the total capital costs associated with qualifying port infrastructure projects, for a twenty-year period (essentially reimbursing total costs over 20 years). Projects must be at least \$5 million in size and constitute industrial, warehousing, or port and harbor operations and cargo handling. No tax credits can be granted after January 1, 2017. Also provides an Import Export Cargo Tax Credit against income and franchise taxes of \$5 per ton of cargo shipped through LA ports. Qualified cargo is any breakbulk or containerized cargo (including offshore drilling platforms and equipment) that is exported/imported by oceangoing vessel through a LA public port facility from/to a manufacturing, fabrication, assembly, distribution, processing, or warehousing facility in LA. This credit has no sunset date. Both credits require approval of the Joint Budget Comm. and the Bond Comm. and certification by the commissioner of administration that sufficient revenue is available to the state to offset the costs of the credits. Proposed law (1) expands the investor credit to any port activity and specifically ship building/repair and oil & gas support activities, (2) lowers the capital cost threshold to \$1.5 million (from \$5 million), (3) removes the revenue neutrality certification requirement for both credits, (4) subjects the cargo credit to the sunset date and, (5) extends the sunset date until January 1, 2020.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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

While current law explicitly prohibits LED from hiring additional employees to implement these two programs, the bill makes it easier to participate and expands eligibility. Administrative costs are likely. Depending on the number of participating projects for the investor credit and the number of certifications required for the cargo credit, additional resources will likely be required in LED in order to not hinder other operations and programs of the department. The cost equivalent of one to two additional positions may be incurred (approximately \$75,000 to \$150,000 per year).

REVENUE EXPLANATION

The Ports Tax Credit Programs are essentially an open-ended state capital outlay program for the state's port system. Capital projects are paid for by the state over 20-year periods and extra payments are made on cargo flows (both via state tax credits). It has been difficult to meet the "revenue neutrality" requirements, and no projects have been approved by LED to date. The bill increases the state's cost exposure by expanding the types of projects eligible to include virtually any port activity and specifically ship building/repair and oil & gas support operations, and by lowering the project size threshold to \$1.5 million (from \$5 million). Project approval is made easier by removing the revenue neutrality requirement, although JLCB approval is still required.

While specific annual tax credit exposure and realization can not be projected with a reasonable degree confidence, should the programs be utilized over the next seven years, state costs could accumulate substantially. LED indicates that ports anticipate sizable private investment over the next five years (for example New Orleans \$30 million and Fourchon up to \$300 million). Lake Charles initially reported up to \$6 billion (inclusive of the entire natural gas export project) but only \$22 million of that is associated port infrastructure, and the DOTD priority program is currently \$78 million (the tax credit program is possible substitute financing). The Department of Economic Development will be responsible for determining what expenditures in any project meet the conditions of the program and are eligible for tax credit. Metrics on the cargo tax credit are typically reported as 700,000 annual eligible tons (\$3.5 million per year in tax credit exposure) with an additional 900,000 annual tons that could be targeted for eligibility if shifted to LA ports over time.

The cargo credits could affect revenue receipts as early as FY14, while the investor credits will likely take longer to be realized because actual capital costs have to be certified by LED.

<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) >= \$500,000 Annual Fiscal Cost {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}

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