LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 587** HLS 13RS 201
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 5, 2013 12:05 PM **Author:** ROBIDEAUX
Dept./Agy.: Revenue
Subject: Evaluation and termination of certain tax credits **Analyst:** Deborah Vivien

TAX CREDITS OR SEE FISC NOTE GF RV See Note
Requires the termination of certain tax credits

Proposed law specifies that the House Ways & Means and Senate Finance Committees will review certain credits beginning 1/1/15 to determine if the economic benefit outweighs the loss of revenue to the state from such credit. By 3/15/15, the Committees are to provide a specific recommendation to extend or terminate the credit. Without legislative action, 27 programs containing 30 income credits will terminate as of 1/1/16, including any ability to utilize carry-forward balances. The bill also repeals 6 credits that are not actively being issued or are relatively small.

Effective upon governor's signature.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	SEE BELOW	SEE BELOW	**$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**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The credits in the bill appear to be those identified as requiring further review during the Tax Exemption Review Committee that met during the interim in 2012/13. Certain credits are targeted for review which will examine the return to the state of keeping the credits. Without legislative action, the credits are terminated. According to LDR, the provision in the bill stating that the credits shall have no effect after 1/1/16 removes the ability of the taxpayer to utilize any carry-forward provisions related to that credit. If all credits are allowed to terminate, the bill will result in a substantial increase in SGF in FY 17 and beyond.

Using the 2013 Tax Exemption Budget for data reported for FY 12, the value of the credits listed in the bill total about $860 M. Nearly 76% of the value of the credits are in reimbursements for ad valorem tax payments (50%: inventory, natural gas, vessels, and telephone company property), and film production and infrastructure spending (26%). Should all of these credits expire, assuming the immediate halt of the payment of any pre-certified, earned, or carry-forward amounts, this bill would increase SGF by about $860 M beginning with the 2016 tax year, which will impact the state fisc in FY 17. This amount assumes no change in the amount of credits issued under these programs since FY 12, which is unlikely, though the magnitude of the impact would still be expected to be large. Because the joint committees must meet to decide whether to take action, it is uncertain whether these funds will actually be available to use as SGF.

The remaining credits repealed by this bill are no longer actively utilized and are expected to provide only small fiscal impact. They are an employer tax credit for employee alcohol and substance abuse treatment programs, an employer credit for donations of materials, equipment, advisors or instructors to public training providers, vo-tech schools, etc., New Markets Tax Credit, Brownsfield Investor Tax Credit, Mentor-Protege Tax Credit, and the "Green Job Industries" tax credit. Some of these credits may have carry-forward balances remaining that would no longer be available if the credits are allowed to terminate under this bill.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {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}

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