LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 122** SLS 13RS 356

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 5, 2013 4:04 PM **Author:** CHABERT

Dept./Agy.: Economic Development / Revenue

Subject: Port Investor Tax Credit / Import Export Cargo Tax Credit **Analyst:** Greg Albrecht

TAX/TAXATION EN DECREASE GF RV See Note

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 nonrefundable (10 year carry over) Port Investor Tax Credit of 5% per year of total capital costs of port infrastructure projects for a 20-year period (essentially reimbursing total costs over 20 years). Projects must be at least $5 million in size and involve industrial, warehousing, or port and harbor operations and cargo handling. No credits can be granted after January 1, 2017. Also provides a nonrefundable (5 year carry over) Import Export Cargo Tax Credit of $5 per ton of cargo shipped through LA ports. Qualified cargo is any containerized or break- bulk cargo (including offshore drilling platforms and equipment) carried by oceangoing vessels through a LA public port to/from a manufacturing, fabrication, assembly, distribution, processing, or warehousing facility in LA. This credit has no sunset date. Both credits require approval of the JLCB, the Bond Comm, and certification by the commissioner of admin. that sufficient revenue is available to offset the costs of the credits. Proposed law (1) expands investor credit to ship building/repair and oil & gas support activities, (2) lowers minimum project size to $1.5 million for expenses paid after July 1, 2013, (3) excludes industrial projects and bulk liquid/gas facilities (4) modifies revenue neutrality requirement, (4) infrastructure projects are limited to $2.5M per year per project and $6.250M total per fiscal year, (5) cargo credit is made applicable starting with the 2014 tax year and is limited to only new tonnage over the 2013 calendar year baseline and $6.250M total per fiscal year, (6) cargo credit sunsets 1/1/20, (7) requires rules by 3/31/14, and (7) prohibits JLCB approval earlier than July 1, 2014.

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.	$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

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

REVENUE EXPLANATION

The Ports Tax Credit Program is essentially a 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 incremental cargo flows (both via state tax credits). It has been difficult to meet the "revenue neutrality" requirements in current law, 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 ship building/repair and oil & gas support operations, and by lowering the project size threshold to $1.5 million (from $5 million). Project approval may be made easier by modifying the revenue neutrality requirement, but JLCB approval is still required. The infrastructure component cost exposure is limited by excluding industrial projects and bulk liquid/gas facilities, and by imposing a per project limit of $2.5 million per year, and a total infrastructure credit issuance limit of $6.250 million per year. The cargo component cost exposure is also limited by applying the $5/ton credit only to incremental tonnage over the prior year base, rather than the entire base of existing tonnage flows, and by imposing a total cargo credit issuance limit of $6.250 million per year.

LED indicates that ports anticipate sizable private investment over the next five years (for example New Orleans $30 million, Fourchon up to $300 million, Lake Charles $22 million (bulk liquid/gas facilities have been excluded from the bill), and the DOTD priority program is currently $78 million (this tax credit program is a possible substitute financing source). 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 component are typically reported as 700,000 tons of containerized cargo ($3.5 million per year in tax credit exposure if all base tons were granted credit). However, the bill provides credits only to incremental tons over the 2013 calendar year base. Being largely a river-based port system with a small domestic population, Louisiana container cargo growth has been slower than other U.S. ports and container growth general. Thus, the annual growth in the cargo credit may be very small. However, the Panama Canal expansion expected to come on line in 2015 is a positive factor that could increase the cargo growth eligible for the credit. In addition, the cargo credit is also applicable to offshore drilling platforms & equipment. An additional 900,000 annual tons that could be shifted to LA ports over time from other competing Gulf coast ports was also mentioned as a goal of the cargo credit when it was enacted in 2009.

While specific annual tax credit realization can not be projected with a reasonable degree of confidence, state cost exposure would accumulate over time as projects were completed, at a maximum rate of $6.250 million per year, and as cargo tonnage grew over time, also at an additional maximum of $6.250 million per year. Neither of these credits can be approved by JLCB until after July 1, 2014, and only project expenditures paid after July 1, 2013 are eligible for the infrastructure credit. Thus, the first cost to the state fisc is in FY15 from the cargo credit (tax year 2014) and smaller infrastructure projects.

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