

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 465** HLS 14RS 1085  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 10, 2014 1:00 PM	<b>Author:</b> BROADWATER
<b>Dept./Agy.:</b> LA Tax Commission	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Bank Stock Ad Valorem Taxation	

TAX/AD VALOREM TAX EG SEE FISC NOTE GF RV See Note Page 1 of 1  
 Provides with respect to ad valorem taxes on shares of bank stock

Current law exempts banks from the state corporate income tax if a tax is imposed on the shares of bank stock. Bank stocks are subject to ad valorem taxation, and assessed valuation is determined by the Louisiana Tax Commission.

Proposed law states that if the state corporate income tax is repealed, the legislature shall provide commensurate tax relief to banks subject to the local banks shares tax. The obligations of local governments to provide necessary services is to be taken into account when providing this tax relief to banks.

<b>EXPENDITURES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

An explicit state expenditure impact associated with this bill depends on (a) repeal of the state corporate income tax and, (b) the legislature opting to make direct reimbursement to banks or local governments as the mechanism for providing commensurate tax relief to banks.

**REVENUE EXPLANATION**

The bill by itself does not eliminate the ad valorem taxation of bank stock, or provide tax relief to banks. Thus, the bill by itself does not have a fiscal impact on state or local government finances.

However, the bill does contemplate tax relief to banks commensurate with repeal of the state corporate income tax, should that tax be repealed. Current data on the assessed value of bank stock and parish millages, from the 2013 Annual Report of the Louisiana Tax Commission, indicates that approximately \$71 million of tax relief for banks would be provided.

Depending on how the Legislature provided the tax relief contemplated in the bill, this amount would be reflected as an explicit state expenditure (direct reimbursement payment to banks or local governments), as an implicit state expenditure (state tax credits granted to banks, presumably refundable credits), or as a direct loss of local tax collections (repeal of ad valorem tax on bank stock). This last option seems the least likely since the bill specifically says for the legislature to take into account the obligations of local governments to provide necessary services.

Actual dollar amounts of tax relief provided would depend on assessed values and parish millages in effect at the time in the future when the provisions of this bill might be implemented.

In addition, the Tax Commission receives self-generated revenue based on the assessed value of the various properties that it assesses itself. Bank stock is one of the properties assessed by the Commission. Should implementation of the bill result in this assessment duty no longer being necessary, the Commission would lose some \$90,000 - \$95,000 per year of revenue.

While the amount of tax relief contemplated by the bill is obviously in excess of \$100,000 of annual fiscal cost, it is speculative as to when such relief might be implemented.

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|---|----------------------------|--|---|
| Senate  | <u>Dual Referral Rules</u> | House  | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       |                            | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}                  |   |
| <input 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} |   |

*John D. Carpenter*  
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