Fiscal Note On:	**HB 713** HLS 15RS 1265
Bill Text Version:	**ORIGINAL**
Opp. Chamb. Action:	
Proposed Amd.:	
Sub. Bill For.:	

Date: May 4, 2015	4:48 PM	**Author:**	LANDRY, T.
Dept./Agy.: Revenue			
Subject: Reduces Selected Tax Credits		**Analyst:**	Greg Albrecht

TAX CREDITS   OR +$3,200,000 GF RV See Note

Reduces certain income and corporate franchise tax credits

<u>Proposed law</u> reduces a variety of tax credits by 20% each. The affected credits are: re-entrant jobs credit, new jobs creation credit, credit for employment of first-time nonviolent offenders, neighborhood assistance tax credit, credit for contributions to educational institutions, credit for bone marrow donor expense, child care expense credit, child care provider credit, child care directors and staff credit. These credits are taken against the personal and corporate income tax and the franchise tax.

The bill is effective July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$800,000	$1,600,000	$2,400,000	$3,200,000	**$8,000,000**
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**	**$800,000**	**$1,600,000**	**$2,400,000**	**$3,200,000**	**$8,000,000**

EXPENDITURE EXPLANATION

The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes (typically a few thousand dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. However, this bill changes a variety of credits, and system modification costs will be consequently greater.

REVENUE EXPLANATION

Based on recent claims reported in the Department of Revenue FY14 Tax Exemption Budget (TEB), a 20% reduction in the credits modified by this bill amounts to approximately $3.2 million. A number of the affected credits have little or no recent claims, with the bulk of the estimate associated with the three child care credits.

The bill is effective July 1, 2015 and does not specify tax years of applicability. The fiscal note assumes that all tax periods starting on or after July 1, 2015 will be affected. Since the fiscal year values reflected in the TEB are the result of numerous tax period returns received in a fiscal year, the first year effect of this bill is likely to be small because it is typical for only a small portion of the returns received in any fiscal year to be attributable to the immediately preceding tax year. The second fiscal year effect is larger because two preceding tax years of returns will have been affected by the bill's credit reduction. The fiscal year effect ramps over time as more and more of the returns received in a fiscal year are from tax periods affected by the credit reduction.

Pending analysis by the Department of Revenue detailing the distribution of tax year returns in fiscal year filings for each of the credits affected by the bill, the fiscal note assumes an even four year ramp up of effect. Assuming that the first tax years affected are those beginning on or after July 1, 2015, there is not likely to be any effect in FY16. The first fiscal year with increased net receipts is then FY17.

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(F)(2) >= $500,000 Rev. Red. to State {H & S}	
		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

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