LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 624** HLS 15RS 1239
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 6, 2015 6:24 PM **Author:** JACKSON
Dept./Agy.: Revenue
Subject: Reduces Corporate Income Tax Exclusions and Deductions **Analyst:** Greg Albrecht

TAX/CORP INCOME EG +$194,000,000 GF RV See Note
Reduces the amount of certain corporate income tax exclusions and deductions

Current law allows exclusions and deductions from corporate gross income for a variety of situations .

Proposed law reduces these exclusions and deductions by 20%. The affected exclusions and deductions are:credit union stock transfer tax, various banking institutions, electric cooperatives, interest on state & local obligations, public transportation corporations, oil and gas well allowance for depletion, net operating losses, corporate income tax refunds, dividends from banking corporations, certain expenses disallowed for federal taxation, S-corp exclusion, dividend income, and hurricane recovery benefits. The tax-exempt period for La Community Development Financial Institutions is shortened from five years to four years.

Applicable to all claims for these exclusions and deductions made on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates.

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.	$194,000,000	$194,000,000	$194,000,000	$194,000,000	$194,000,000	**$970,000,000**
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	**$194,000,000**	**$194,000,000**	**$194,000,000**	**$194,000,000**	**$194,000,000**	**$970,000,000**

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 (likely to be several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

Most of the exclusions and deductions affected by the bill have no reporting requirements in the corporate tax provisions, and the Department of Revenue has no data associated with them. For a few of the items affected by the bill the Department was able to recalculate corporate returns filed during FY14 or the top 200 of returns from the 2012 tax year with certain of these exclusions and deductions reduced by 20%. The resulting increases in tax liabilities were:

S-corp exclusion, $107 million.
Net operating loss deduction, $75 million.
Dividends, depletion, and IRS 280(C) expenses combined, $12 million.

Based on these components of the bill, the minimum gain to state tax receipts would be some $194 million.

Since the bill is applicable to all return filed on or after July 1, 2015, regardless of the taxable year to which the return relates, this minimum level of revenue gain is expected during FY16 and beyond.

Senate | Dual Referral Rules | House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 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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