LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 508** HLS 15RS 520
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 15, 2015 2:48 PM **Author:** FOIL
Dept./Agy.: Revenue
Subject: Income Tax Deduction **Analyst:** Shawn Hotstream

TAX/INCOME TAX OR DECREASE GF RV See Note
Authorizes an income tax deduction for taxpayers who employ certain qualified disabled individuals

Proposed law allows a state income tax deduction to a taxpayer that provides continuous employment for certain disabled individuals.
Proposed law defines a qualifying disability as certain individuals with intellectual or developmental disabilities or individuals with service connected disabilities, and establishes a level of deduction. The deduction is 50% of gross wages paid to a qualified disabled individual in the first four continuos months of employment, decreasing to 30% for each subsequent continuous month of employment.

The tax deduction program is capped at 100 qualifying individuals per year (monitored by the Department of Revenue). In addition, the mix of the 100 qualifying individuals must be 50% qualifying disabled and 50% qualifying individuals with a service connected disability.

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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

Information provided by the Department of Revenue indicates additional one time expenditures of approximately $41,000 in FY 16 for computer system development and modification, tax form redesign, and testing, and assumes implementation costs will be absorbed with existing staff and resources.

REVENUE EXPLANATION

Proposed law provides an income tax deduction to individuals that employ certain disabled individuals. Although there is a large population of potential eligible individuals whose wages could be subsidized by the proposed tax deduction, the bill limits the program to 100 individuals annually, 50% which are determined disabled and 50% determined to have a service connected disability. The Office for Citizens with Developmental Disabilities indicates that 3,760 individuals in the Developmentally Disabilities program are currently working, or are participating in skills/vocational training to become employed. Jobs typically include food service work, other service industry jobs such as cleaning and lawn work, and office/administrative support. Many of these jobs would meet the 20 hours per week work requirement of the bill. Additionally, Veterans Affairs reports approximately 29,976 Louisiana Veterans would qualify under the 50% or greater service connected disability rating category.

Based on the number of disabled individuals currently working or seeking work through vocational programs alone, the fiscal note assumes that the program cap of 100 individuals would be reached and generate deductions in the first year. As an illustrative example, the amount of gross wages deducted would be nearly $750,000 per year based on minimum wage paid on at least 20 hours per week per individual. This would result in as much as $60,000 per year of state tax revenue loss. Although employment data for eligible veterans is not known, veterans are likely to earn more than the minimum wage. Because program eligibility is capped, the state's exposure is not anticipated to grow materially over time. The impact to the state would change to the extent average participating gross wages exceed the minimum wage example, and to the extent average weekly hours worked exceeds the 20-hour minimum of the program. Revenue losses in FY16 would likely be less than in subsequent years since tax year 2015 would be nearly half over by the time this bill is enacted.

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}

Gregory V. Albrecht
Chief Economist