

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 85** HLS 161ES 17

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | |
|----------------------------------------------|-------------------------------|
| Date: February 20, 2016 2:24 PM | Author: MORRIS, JAY |
| Dept./Agy.: Revenue | Analyst: Greg Albrecht |
| Subject: Net Operating Loss Deduction | |

TAX/INCOME TAX

OR SEE FISC NOTE GF RV See Note

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Provides relative to the allowable amount of net operating loss deduction (Item #12)

Limits the net operating loss deduction that a corporation may claim to 50% of the net operating loss carryover, but the deduction can not exceed 72% of the taxpayer's Louisiana net income.

Effective January 1, 2016.

| EXPENDITURES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill appears, in part, to be correcting language in Act 123 of 2015 that has been the subject of dispute with taxpayers regarding the limitation of net operating loss deductions. Act 123 anticipated generating some \$105 million in FY16 and FY17 from the limitation of NOL deduction. This bill will presumably insure that at least that amount of the fiscal effect anticipated by Act 123 is realized.

In addition, the bill limits the NOL deduction to 50% of the NOL carryovers. While that limitation might result in additional revenue to the state with respect to some taxpayers, current interpretation by the Revenue Department would apparently allow taxpayers to apply their stock of NOL deduction (50% reduced in totality by this bill) to their annual net income such that only a 28% increase in net income subject to tax would occur. Revenue gains in excess of the expectation of Act 123 are uncertain and not presumed by this fiscal note.

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(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer