LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 57** HLS 161ES 70

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action: **W/ SEN FLOOR AMD**

Proposed Amd.:

Sub. Bill For.:

Date: March 4, 2016 3:14 PM | **Author:** STOKES

Dept./Agy.: Revenue

Subject: Makes Act 109 of 2015 Regular Session permanent | **Analyst:** Deborah Vivien

TAX CREDITS EGF DECREASE GF RV See Note

Repeals three-year sunset on certain eligibility requirements relative to the income tax credit for net taxes paid to other states (Item #13)

Current law limits the availability of the credit for taxes paid to other state to taxes paid to other states that provide a similar credit for their residents who paid tax to Louisiana. The amount of credit allowed against Louisiana tax liability is limited to the the amount of Louisiana tax that would have been imposed had the income in question been earned in Louisiana. The credit is not allowed for taxes paid to another state that allows such a credit for nonresident filers in that state who paid tax to their own state of residence.

Applicable to all claims on any return filed on or after July 1, 2015, regardless of the taxable year to which the return relates. However, credits denied on returns filed after July 1, 2015 pursuant to an extension allowed prior to July 1, 2015 can be recouped in one-third increments over three subsequent years, starting with tax years beginning in calendar year 2017. Not applicable to amended returns timely filed after July 1, 2015, relating to original returns filed prior to July 1, 2015 and properly claimed a credit. Expires July 1, 2018.
Proposed law removes the June 30, 2018 expiration, making permanent the changes of Act 109 of 2015 Regular Session. In addition, individual partners and members of entities that paid entity level tax in other states in 2016 and beyond are to be allowed the full credit for the tax paid.

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	$0	$0	$0	$0	$0	**$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.	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

There is no anticipated direct material effect on governmental expenditures as a result of this measure. This bill reduces the need for the department to change forms when the affected provisions revert back to their original level on June 30, 2018. Just as any costs would have been absorbed in the departmental budget, any resources made available will be directed to other functions of the agency.

REVENUE EXPLANATION

Under this bill, state revenue will increase in FY 19 and beyond as credit limitation adopted in Act 109 of the 2015 Regular Session of the Legislature is made permanent for all returns filed after June 30, 2018, regardless of the tax year. The impact in FY 19 would occur as the credit limitation is maintained while three year recoupments occur through FY 20.

While time constraints preclude the generation of new revenue estimates for the various provisions contained in Act 109, it is certain that making the Act permanent will increase state receipts beginning in FY 19 above what they would otherwise be throughout the remainder of the fiscal note horizon. Estimated net revenue gains associated with Act 109 were in the range of $34 million per year, and will be retained by this bill once the recoupment provisions have terminated.

The provision allowing the credit to individual partners and members of entities that pay an entity level tax in other states during 2016 and beyond may reduce the potential revenue generated by Act 109 significantly. The Department of Revenue indicates that this language would apply to situations such as the Texas Franchise Margin Tax, paid by entities in Texas whose partners/members reside in Louisiana and are subject to state income tax. Louisiana taxpayers would be able to claim a credit for the full amount of tax paid in Texas under this language. While the language is not limited to that particular state or tax, economic interactions will be most prevalent between neighboring states, and states with comparable industry mixes. Louisiana and Texas are border states, both with large oil & gas and petrochemical industries. It is likely that material amounts of the current tax credit involve taxes paid in Texas. While no estimate of that effect is available, the magnitude is likely material and makes the remaining revenue gain from Act 109 highly uncertain. This provision reduces the revenue gain anticipated by the other provisions of this bill.

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

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