



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 662** HLS 05RS 152
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

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Dept./Agy.: Revenue and DEQ **Analyst:** Robert E. Hosse
Subject: Inc/Corp Franchise tax credit/reclaimed water infrastructure

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1

Provides for an income or corporation franchise tax credit for certain expenses incurred as a result of the reclaimed water program

Proposed law would allow for an income or corporation franchise tax credit for persons who incur expenses to construct physical plant infrastructure improvements necessary to produce and transport available reclaimed water sources under the reclaimed water program. The bill appears to provide a credit equivalent to 100% of expenses. The credits are to be taken against taxes in the taxable period in which the expenses were incurred. If the total amount of the credit applied for during any taxable year exceeds the amount of taxes due by the applicant in that taxable year, the excess is to be treated as a carryover credit and may be carried over for a maximum of 5 consecutive taxable years following the taxable period in which the credit originated. Effective for all taxable periods beginning on or after January 1, 2006.

| EXPENDITURES | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 5 -YEAR TOTAL |
|---------------------|-----------------|------------|------------|------------|------------|-----------------|
| State Gen. Fd. | \$15,000 | \$0 | \$0 | \$0 | \$0 | \$15,000 |
| 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 | \$15,000 | \$0 | \$0 | \$0 | \$0 | \$15,000 |

| REVENUES | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 5 -YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|---------------|
| State Gen. Fd. | \$0 | DECREASE | DECREASE | DECREASE | DECREASE | \$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 |

EXPENDITURE EXPLANATION

The Department of Revenue has indicated that it would incur an additional one-time cost of \$15,000 in FY06 for data input, computer system modification, and tax form redesign. DEQ does not anticipate any significant increase in expenditures as a result of this legislation.

REVENUE EXPLANATION

The proposed legislation is anticipated to result in an indeterminable but potentially significant State General Fund revenue decrease in FY07 and subsequent years. The credit appears to be for 100% of the expenses of such projects, and industrial firms seem likely candidates for such projects.

The Department of Environmental Quality, the Department of Revenue, nor the Legislative Fiscal Office have data on which to base a reliable estimate of the potential loss of revenue due to the proposed legislation. The petrochemical industry, utilities, and paper mills are the primary industrial users of groundwater making those industries the most likely to take advantage of the proposed credit. The most recent census data for Louisiana indicates there are 56 paper manufacturing establishments, 264 chemical manufacturers, 54 petroleum and coal product manufacturers, and 61 electric power generation establishments. These data are classified by NAICS code. The Department of Natural Resources has indicated that a paper mill is working with the city of West Monroe to provide 10 million gallons per day. The project is still in the testing phase, and the Department of Revenue was unable to obtain any cost information from the paper mill. Infrastructure construction expenses would likely include those expenses incurred in construction of a treatment system capable of producing high quality "reclaimed water" as defined in R.S. 30:2391 and the delivery system (pumps, pipes, meters, etc) needed to provide the reclaimed water to potential customers.

Note: Present law, R.S. 30:2391, provides for the use of reclaimed water for nonpotable use if sufficient available sources are developed. Sales tax revenues generated as a result of these sales are to be forwarded to the Treasurer's Office to be distributed 1/4 into the Municipal Facilities Revolving Loan Fund, 1/4 into the Coastal Resources Trust Fund, and the remaining to be used by DNR for the protection of groundwater resources. This law was effective August 15, 2003. To date, no seller or purchaser of reclaimed water has been identified, and no sales tax revenues have been forwarded to the Treasurer's Office.

Senate

Dual Referral Rules

House

13.5.1 >= \$500,000 Annual Fiscal Cost

6.8(F) >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

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

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