



Report Highlights

Tax Incentive Reporting Evaluation of Agency Compliance with Act 191 of the 2013 Regular Session

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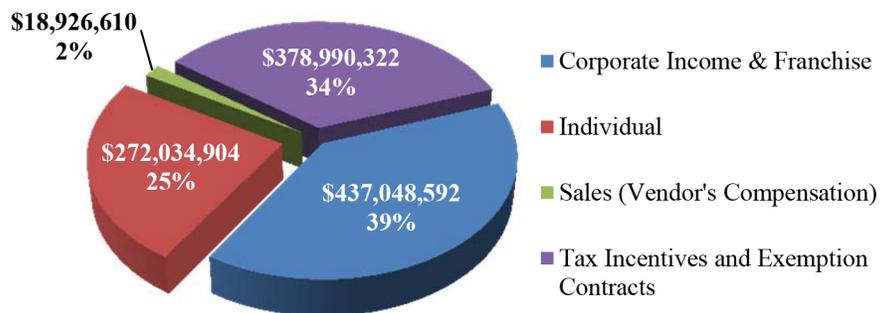
Why We Conducted This Audit

This report provides our evaluation of agency compliance with Act 191 of the 2013 Regular Session. Our objective was to determine if state agencies that administer tax incentives are complying with the reporting requirements outlined in state law.

What We Found

- Using the 2017-2018 Tax Exemption Budget (TEB) prepared by the Louisiana Department of Revenue (LDR), we identified 78 tax incentives administered by five agencies that are subject to the reporting requirements of Act 191. According to the TEB, the amount of revenue loss from these incentives totaled approximately \$1.1 billion in fiscal year 2017.

FY17 Composition of \$1.1 Billion in Tax Incentives



Source: Prepared by LLA using the 2017-2018 Tax Exemption Budget

- We found 25 (32%) of the 78 tax incentive reports that agencies were required to submit to the Legislature by March 1, 2018, did not comply with all of the reporting requirements. Specifically, the reports for 25 incentives claimed by taxpayers in fiscal year 2017, which resulted in a revenue loss of approximately \$127 million, did not include whether or not the state received a positive return on investment through the incentive.
- Only five incentives with no reported or calculated ROI would reasonably be expected to have a related ROI. According to LDR, not all tax credits are intended to provide a return of revenue to the state, but may still have some other type of immeasurable return, such as to ensure Louisiana is competitive from a business friendly perspective or to offer appropriate assistance to Louisiana citizens.
- There are no specifications in the statutes regarding the method of calculation to be used in determining the ROI related to each incentive. With no guidelines or restrictions, the accuracy of the ROI calculation and the appropriateness of the methodology used cannot readily be determined. Many of the reports appear to focus on the overall impact to the state's economy rather than the direct revenue received by the state as a result of the credit.

View the full report, including management's responses, at www.lla.la.gov.