LOUISIANA LEGISLATIVE AUDITOR
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TAX CREDITS AND REBATES IN LOUISIANA

BATON ROUGE --- Louisiana's tax credit and rebate programs resulted in a tax revenue loss of more than $6.13 billion in revenue in the last seven years, according to a study of the programs released Monday by Legislative Auditor Daryl Purpera's office.

The performance audit looked at 44 of the credits that each resulted in a tax revenue loss of at least $1 million for at least one year between the calendar years 2006 and 2011. Auditors said the credits from those 44 programs – 52 percent of the 85 tax credit programs on the books -- totaled a revenue reduction of approximately $5.4 billion, with 2011 tax data still incomplete as of October 2012.

Six of the eight rebate programs "resulted in direct payments of approximately $731 million" for the period from July 1, 2008 to June 30, 2012, according to the audit.

The report is designed to provide a review of tax credits and rebates "including their impact on tax revenue and how the state budget process accounts for them," auditors said in a letter to legislative leaders.

The audit said that the annual revenue loss from the 44 tax credits has grown about 40 percent, from $783 million in 2006 to $1.1 billion in 2010, the latest year for which complete data was available from the Department of Revenue.

The five most expensive tax credits accounted for almost $3.7 billion of the $5.4 billion total for the period studied, or 67 percent of the total revenue loss. The five are:

- The inventory/property tax exemption for businesses -- $1.5 billion.
- The insurance company premium tax credit -- $1.1 billion.
- The motion picture investor tax credit -- $512 million.
- The credit granted on net income taxes paid to other states -- $402 million.
- The credit for assessments paid to Louisiana Citizens Property Insurance Corp. -- $212 million.

The total for the six tax rebates started out at about $104 million in the 2008 fiscal year, hit a high of about $192 million in the 2010 fiscal year, fell to $162 million in 2011 and rebounded to $186 million in the fiscal year ending last June 30.

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The two most expensive tax rebate programs from 2008 to 2012 were the enterprise zone tax credit, given to companies that locate in designated enterprise zones, totaling $254 million and the quality jobs credit, which encourages businesses to locate or expand existing operations in Louisiana, totaling $245 million. The report said that the state's budget process accounts for the rebates and tax credits through the Revenue Estimating Conference, the state panel that determines how much money is available for spending in a fiscal year.

Auditors said that the tax credits and rebates are not financed in the General Appropriations Bill, but are "treated as tax dollars that are not collected, and therefore result in a loss of revenue available for the State General Fund. The fiscal effect of a tax credit or rebate is the same as a direct fund expenditure."

Despite monthly reports on revenue collections from the Department of Revenue, the total of revenue losses as a result of tax credits and rebates is not known in advance so "there is an increased chance of error in revenue forecasting which could lead to mid-year budget cuts," auditors said. Based on information from the Legislative Fiscal Office, a 1 percent error in the revenue projections would have meant a revenue loss of $77.5 million in the fiscal year ending June 30, 2011, the report said.

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