

Tax Credit Reform

There are two types of credits that may be used to reduce taxes owed by a taxpayer: refundable and nonrefundable.

- » Refundable credits can be used to offset taxes owed and if the amount of credit earned is greater than the taxes owed, a refund for the entire amount of the excess will be issued.
- » Nonrefundable credits can be used to offset taxes owed and if the amount of credit earned is greater than the taxes owed, the excess will not generate a refund. The excess credit will either be lost or will be carried over to the next taxable year depending on the statute.

While the majority of the state's refundable tax incentives are used to reduce a company's or individual's tax liability, certain credits have gone further. Last year, Louisiana paid more than \$589 million to companies and individuals as a result of these credits. That means that beyond reducing a company's tax bill, the state has actually provided revenue subsidies for some businesses.

We are not considering increasing the current tax obligation of any Louisiana taxpayer. Our incentives and exemptions have produced real improvements in our state's economy and in our quality of life. However, the Executive Budget proposal reduces expenses by \$526 million by limiting certain credits to tax liability.

Credit	FY14 Expenditure <i>(in excess of tax liability)</i>
Inventory Tax	\$376,715,230
Wind and Solar Energy Systems	\$107,019,498
Ad Valorem Credit for Certain Natural Gas	\$3,983,031
Ad Valorem Credit for Offshore Vessels	\$43,050,938
Vehicle Conversion to Alternative Fuel	\$3,269,534
Milk Producers	\$1,443,301
Musical & Theatrical Productions	\$8,569,107
Research and Development	\$23,585,961
Telephone Company Property	\$5,261,969
Sugarcane Trailer Conversion	\$2,721,378
Angel Investor	\$877,657
Historic Residential Rehab	\$126,312