

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 26** SLS 17RS 171
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 19, 2017 11:24 AM	Author: MORRELL
Dept./Agy.: Economic Development / Local Government	
Subject: Industrial Tax Exemption Program: School Millages	Analyst: Greg Albrecht

TAX EXEMPTIONS EG INCREASE LF RV See Note Page 1 of 1
 Constitutional amendment to prohibit contracts under the industrial property tax exemption program from exempting millages related to school funding. (2/3 - CA13s1(A))

The amendment requires that new and renewal contracts for ad valorem industrial tax exemption not be applicable to school millages. Effective for new contracts or contract renewals entered into on and after January 1, 2019.

To be submitted to the electors at the statewide election to be held on November 6, 2018.

EXPENDITURES	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>5 -YEAR TOTAL</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>5 -YEAR TOTAL</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$46,000,000</u>	<u>\$92,000,000</u>	<u>\$138,000,000</u>
Annual Total	\$0	\$0	\$0	\$46,000,000	\$92,000,000	\$138,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The Dept of Economic Development (LED) estimated the ten-year amount of total foregone property tax statewide associated with the Industrial Tax Exemption Program (ITEP) on a parish-by-parish basis utilizing five-year ITEP contract approvals for the period 2008 through September 2016. Depreciation over the ten-year implementation horizon of the bill was accounted for with composite multipliers promulgated by the La Tax Commission (LTC). This resulted in an estimate of total ten-year foregone property tax of some \$11.9 billion across all parishes. The proportion of total foregone property tax associated with school millages was estimated by parish from the 2015 LTC annual report. Those parish proportions (ranging widely from 12.5% to 56.7% across parishes) were applied to each parish's foregone tax total to arrive at a rough estimate of total ten-year statewide school property taxes foregone by the ITEP; totaling some \$4.6 billion over ten years, or \$460 million per year statewide.

This tax total would accumulate to local school systems over a ten-year period, as new contracts and renewal contracts are entered each year without school millages subject to exemption. Assuming a simple smooth flow of contracts over time, in the first year (possibly FY21) local revenue would be enhanced by some \$46 million, then by \$92 million in the second year, then \$138 million by the third year etc. This accumulation would continue over a ten-year period to a local gain of \$460 million per year before stabilizing at that level by FY30. Actual results will depend on the level and distribution of industrial investment activity over time and across parishes, and will differ from the results of the estimating exercise described above.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 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}

John D. Carpenter
Legislative Fiscal Officer