

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 473** HLS 23RS 532

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 6, 2023	4:09 PM	Author: IVEY
Dept./Agy.: Local Government		Analyst: Deborah Vivien
Subject: Offers an AVT exemption for all capital investment projects		

TAX/AD VALOREM-EXEMPTION OR DECREASE LF RV See Note Page 1 of 1
(Constitutional Amendment) Establishes certain property tax exemptions for capital investment projects

Proposed constitutional amendment authorizes three optional property tax exemptions for all capital investment projects. All exemptions require local approval and:

- 1) Board of Commerce & Industry review at 80% exemption for 8 years (Standard Exemption)
- 2) No additional approval for up to 100% exemption for no more than 15 years (Local Exemption)
- 3) Governor approval for up to 100% exemption and the Governor determines the term (Executive Exemption)

Any state laws necessary for administration of these exemptions will require a 2/3 vote of the legislature.

Effective beginning with tax year 2024; subject to voter approval at the October 14, 2023, election

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$182,029	\$107,029	\$107,029	\$107,029	\$107,029	\$610,145
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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Annual Total						
REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

Local governments will be required to address approvals, verifications, billings, etc., that could be substantial depending on the complexity of the exemption that is enacted at the local level.

LED reports the need for an additional position (\$68,019 salary and \$34,010 related benefits) and expenses related system adjustments (\$80,000 initially and \$5,000 recurring) to provide support to the Board of Commerce & Industry in a review of applications for the Standard Exemption. It is not clear to the LFO what would be required of the Board for a review instead of an approval but acknowledges that the exemption could draw a large number of applicants since all capital investment projects would be eligible. LED currently provides support to the Board, so it seems likely that any additional supporting needs would probably be incumbent upon the department. The bill is not specific as to what actions would be required for state participation in these exemptions and does not authorize application fees to fund additional workloads. Thus, any requests for funding are expected to require state general fund.

REVENUE EXPLANATION

The proposed amendment allows a property tax exemption for all capital investment projects (not defined in the bill) that will decrease local property tax revenue to the extent the exemptions are authorized, impacting any entity receiving revenue from property tax. It appears that local passage must exempt all projects with a capital investment (not defined in the bill) and could include a very large number of projects. The exemptions are available for tax years beginning with 2024, which means Orleans may first be impacted in SFY 24 and all other parishes in SFY 25. The fiscal note assumes at least one parish opts into the exemption.

The bill offers three pathways to a property tax exemption for any capital investment project, all requiring local approval. The Standard Exemption requires review (not approval) of the Board of Commerce and Industry for an 80% exemption for 8 years. The Local Exemption is local approval only for an exemption up to 100% for no more than 15 years. The Executive Exemption requires the governor's approval for an exemption up to 100% over a term decided by the governor.

It is not clear when an additional state law to administer these exemptions would be required, but if an administrative bill is filed, it will require a 2/3 vote of the legislature.

Senate
 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}

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