

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 216** HLS 24RS 430

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 22, 2024 3:14 PM	Author: JACKSON
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Tax Rebates: Summer Youth Employment	

TAX/TAX REBATES

OR DECREASE GF RV See Note

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Authorizes a rebate to businesses for employment of youth during summer months

Proposed law establishes a rebate out of current collections to certain employers, for wages paid to certain eligible youths during summer months. The size of the rebate varies according to the location of the particular employed youth's residence, and whether the employee is full-time or part-time. Proposed law specifies that rebates will be authorized on a first come, first served basis. Proposed law limits the annual maximum amount of rebates issued statewide to \$5M, and limits the annual maximum amount of rebates to any employer according to its total number of employees. Rebate applications received in a year in which the limit has already been reached are to be treated as having been applied for in the first day of the following year. No applications shall be accepted after October 31, 2029, and no rebate remittances are to be authorized after December 31, 2029. Proposed law limits employer eligibility to current-year participants in the Incumbent Worker Training Program. Proposed law requires LDR to begin accepting applications on September 1, 2025.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$140,000	\$90,000	\$90,000	\$90,000	\$410,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total		\$140,000	\$90,000	\$90,000	\$90,000	\$410,000

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

LFO notes that proposed law establishes a relatively complex rebate program. LDR is directed to create a form for reporting of all information required to process the rebates.

Proposed law grants a rebate of either \$400, \$600, \$800, or \$1,200 for wages paid to certain eligible youths by certain eligible businesses, varying by whether the employee is full-time or part-time, and whether they reside in a low-income Census tract. The maximum rebate per employer varies by the employer's number of total employees, allowing \$2,400 for employers with less than 250 employees, \$4,800 for employers with more than 250 but less than 500 employees, and \$12,000 for employers with more than 500 employees. Program participation requires participation in certain workforce programs by the employee and employer, a minimum of 20 hours worked per week for a minimum of six weeks, and that the employee either be enrolled in a secondary school with a minimum 2.00 GPA or be above 18 years old with no high school diploma equivalent.

LDR anticipates up-front FY26 costs of approximately \$53,000 for computer system modification and testing and tax form design, in addition to an additional Taxpayer Compliance analyst, resulting in FY26 costs of approximately \$140,000, and ongoing costs of approximately \$90,000 due to the proposed rebate program.

REVENUE EXPLANATION

Proposed law authorizes a rebate beginning in FY26, out of current collections, for employers of eligible youth during summer months. Each rebate is dependent on several variables particular to each employee and employer. The bill stipulates that a taxpayer receiving this rebate for employing a particular youth may not receive any other incentive for the employment of the same youth.

The likely revenue impact due is indeterminable, though likely greater than \$500,000 annually. However total rebates issued are limited by the bill to \$5M annually. The potential number of eligible employees is large, and with sufficient employer participation the program could feasibly hit the \$5M cap in every year. In any year that program participation does not reach the maximum, the difference between \$5M and actual rebates claimed remains unused and does not roll forward.

LFO additionally notes that for a part-time minimum-wage employee working the minimum number of hours, an employer receiving the lowest rebate (\$400) could cover nearly half of the employee's wages (\$7.25 * 20 hour * 6 weeks = \$870 total) via the rebate.

Information on the likely distribution of employee counts by participating employers is unavailable, however LWC reports that in 2023, 127 employers participated in the Incumbent Worker Training Program. (**cont Page 2**)

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


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Chief Economist

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CONTINUED EXPLANATION from page one:

Additional information, for informational purposes: potential participants

Census data and BLS data imply that potentially 29,000-34,000 persons aged 16-23 that are not typically employed in other months are typically employed in summer months. Using an assumption that 84% of such employees are employed in the private or nonprofit sector, and that 70% of such employees have a high school diploma or equivalent, approximately 8,750-10,200 employees may be eligible for the rebate in proposed law. Due to multiple assumptions and sources required for this estimate, it is low-confidence and not intended to be authoritative. The estimate cannot be adapted further to estimate eligible youths from particular Census tracts.

Additional information, for informational purposes: employee scenarios to meet the \$5M cap

In a scenario where the average rebate per participating employee equaled the minimum rebate amount (\$400), the program would reach its \$5M maximum if there were approximately 12,500 eligible participants. If the average rebate were \$800, the program would reach the maximum with approximately 6,250 eligible participants. In a scenario where more than enough employees participated to reach the cap, and employers optimized their rebate requests to apply toward only full-time employees from low-income Census tracts, the program would reach its maximum with approximately 4,170 participating employees.

Additional information, for informational purposes: employer scenarios to meet the \$5M cap

In a scenario where the average rebate per participating employer were the maximum (\$12,000) due to large employers dominating the program, the program would reach its maximum with 417 participating employers. In a scenario where the average rebate per employer were the minimum amount (\$2,400), the program would reach its maximum with approximately 2,100 participating employers.

LWC reports 127 employers as having participated in the required Incumbent Worker Training Program. Under a scenario where this is a representative year, and these employers were all employers of less than 250 employees, the revenue impact of the proposed rebates would be a general fund reduction of approximately \$500,000. In a scenario where 127 employers with 500 or more employees participated, the revenue impact would be a reduction of approximately \$1.5M.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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