

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 531** HLS 20RS 274
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 3, 2020 2:58 PM	Author: IVEY
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Industrial Tax Exemption	

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE LF RV See Note Page 1 of 1
 Provides for ad valorem tax exemptions for certain property

Currently, the industrial tax exemption program provides an ad valorem tax exemption to 80% of the assessed value of qualifying manufacturing capital investment for ten years; an initial term of five years with an additional five-year renewal term. Approval is required by the Board of Commerce & Industry (BC&I), local governing bodies, and the governor. Proposed law provides three different exemption options, with application procedures to be developed by the BC&I. A standard exemption of 80% for a single eight year term, upon the approval of the BC&I. A local exemption of up to 100% for a term of no more than fifteen years, requiring approval by each political subdivision where the project is located, and only after approval for the standard exemption. An executive exemption of up to 100% for a term determined by the governor, and requiring approval of affected local political subdivisions. effective upon adoption of the constitutional amendment in HB 347, to be submitted to the electors at the statewide election to be held on November 3, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	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	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

There is no anticipated direct material effect on state government revenues as a result of this measure. However, local government ad valorem tax bases would be affected depending on which of the three options is applied to particular projects in particular local jurisdictions.

To the extent the standard exemption is applied, local tax bases would be expanded after the eighth year of its term relative to the current total term of ten years (both the current program and the proposed program provide an 80% exemption).

To the extent the local exemption is applied, local tax bases could be expanded or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term of no more than fifteen years.

To the extent the executive exemption is applied, local tax bases could be expanded or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term determined by the governor.

The definition of "manufacturing establishment" and "addition" is removed from the Constitution by HB 347, which this bill is contingent upon. If these exemption options are applied consistent with the current constitutional provision, this removal is not consequential. However, a change to the traditional applicability could materially expand or contract the affected tax base.

In addition, while the bill provides for three different exemption options, for purposes of this Fiscal Note, it is assumed the bill will provide that only one option can be applied to any particular project (although the local exemption option requires BC&I approval for the standard exemption option).

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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John D. Carpenter
Legislative Fiscal Officer