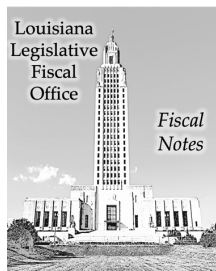


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 370** HLS 21RS 182
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 24, 2021 8:10 AM	Author: IVEY
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Industrial Tax Exemption	

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

Present constitution establishes the industrial tax exemption program. As administered currently, the program provides for 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 constitutional amendment authorizes three different exemption options. A standard exemption of 80% for a single eight year term, on review of the BC&I and with local approval as provided by law. A local exemption of up to 100% for a term of no more than fifteen years, requiring local approval as provided by law. An executive exemption of up to 100% for a term determined by the governor, and requiring local approval as provided by law. Enactment of any law to administer these options shall require a two-thirds vote of the legislature. The definition of "manufacturing establishment" and "addition" are removed, and the exemptions apply to "capital investment projects". Submitted at the statewide election on 11/8/22.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$90,000	\$90,000	\$90,000	\$90,000	\$360,000
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>	\$0
Annual Total	\$0	\$90,000	\$90,000	\$90,000	\$90,000	\$360,000

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	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	<u>\$0</u>	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The Department of Economic Development indicates the need for an additional position to help process applications for the different exemption options provided in the bill, and for the potentially larger number of projects that would presumably be eligible to apply under the concept of "capital investment project" not limited to manufacturing. An additional position would cost approximately \$90,000 per year in salary, benefits, and operations. Application fees presumably cover the additional administrative cost, but if not, additional general fund support would be necessary.

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 by particular governing entities for particular projects.

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 amendment also removes the definition of "manufacturing establishment" and "addition" from the Constitution, and references "capital investment projects". These changes seem to contemplate a larger number of projects that would presumably be eligible to apply under the concept of "capital investment project" not limited to manufacturing. This change to the traditional applicability could materially expand the affected tax base.

In addition, while the bill authorizes three different exemption options, it does not provide guidance as to which one is to be applied in any particular situation. For purposes of this fiscal note it is assumed that only one option can be applied to any particular project, and contemplates statutory provisions for the administration of these options. The bill prohibits a project from receiving the existing industrial tax exemption if it receives any one of these three new exemption options.

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}

Christopher A. Keaton
Legislative Fiscal Officer