LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 151** SLS 22RS 442

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 13, 2022 8:54 AM	**Author:** POPE
Dept./Agy.: Economic Development	
Subject: Enabling a local option for permanent 80% ITEP	**Analyst:** Deborah Vivien

TAX/AD VALOREM EG SEE FISC NOTE LF RV See Note

Constitutional amendment to provide for local governmental input in the Industrial Tax Exemption Program. (2/3 - CA13s1 (A))

Current law allows for an Industrial Tax Exemption Program (ITEP) exemption of 100% of ad valorem tax (AVT) for certain manufacturing entities with state approval for 5 years with a 5-year renewal. An overriding Executive Order allows local approval of ITEP exemptions and lowers the exemption to 80% of the AVT. The Executive Order expires in January, 2024, after which the provisions will revert to current law.
Proposed law makes permanent the manufacturing ITEP exemption of 80% for 5 years with a 5-year renewal if initial contract terms are met and the project creates net new permanent jobs. Only the portion of the local millage attributed to the parish governing authority, school board, sheriff and municipal government will require the approval of each. The exemption will not apply to miscellaneous capital additions, maintenance capital (defined), required environmental upgrades or new replacements for existing machinery. The Board of Commerce & Industry must publish a formal, written cost/benefit analysis. Effective upon voter approval at the November 8, 2022 election.

EXPENDITURES	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	$0	SEE BELOW	SEE BELOW	SEE BELOW	**$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	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Annual Total		**$0**				**$0**

REVENUES	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**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	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Annual Total	**$0**	**$0**				**$0**

EXPENDITURE EXPLANATION

The bill effectively continues local practice with regard to ITEP projects under Executive Order JBE 2016-26. However, additional qualifying factors such as precise valuations of certain property for exclusion could increase the need for additional resources. The Board of Commerce & Industry is mandated to produce cost/benefit analyses on each exemption, presumably under a time constraint, which may also require additional resources.

The Secretary of State may incur minimal ballot processing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF resources for the November 8, 2022 statewide election. Any expenditure impact would be realized in FY 23.

REVENUE EXPLANATION

The baseline must assume that the 80% ITEP exemption in its current form expires with the Executive Order in January 2024. At that time, local revenue would decrease due to the reinstitution of the 100% ITEP exemption. With voter approval, the bill makes permanent the 80% exemption, which eliminates the impact of the exemption returning to 100%. Additional parameters, such as mandatory net new job creation, partial millage exemptions or the impact of certain expenditures on the assessed value, may further impact the exemption.

Under the bill, local control would fall to four authorities, the parish governing authority, school board, sheriff and municipal government, presumably if they have millages in the parish, though having a millage is not an explicit qualifier. The bill requires the creation or retention of net new permanent direct jobs without a specified baseline. The impact on property assessments due to expenditures for miscellaneous capital additions, maintenance capital (something that does not increase property value after depreciation), required environmental upgrades or new replacements for existing machinery will not be eligible. These fiscal impacts cannot be quantified with any degree of certainty.

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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