

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 234** SLS 15RS 549
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2015 2:35 PM	Author: DONAHUE
Dept./Agy.: Revenue/Economic Development	Analyst: Deborah Vivien
Subject: Restricts Restaurant and Other EZ eligibility	

TAX/TAXATION EG +\$1,000,000 GF RV See Note Page 1 of 1

Makes certain food businesses and any retail business except grocery stores and pharmacies with a certain number of employees ineligible for Enterprise Zone contracts. (gov sig)

Current law provides benefits of a non-refundable income or franchise tax credit of \$2,500 per permanent full-time job with a 10 year carryforward and either a sales tax rebate on construction materials or a payment of 1.5% of project expenditures (refundable tax credit with no cap treated as a rebate payment). Qualifying projects include retail (if 100+ employees, limited to pharmacies and groceries in EZ) and may be located in designated enterprise zones (EZ) but must have 50% of employees reside in an EZ (or the same parish as the project for rural) or be receiving public assistance or be unemployable. Qualifying projects' net new jobs must be the lesser of 5 jobs within 2 years or 10% of existing jobs (minimum of 1) within 1 year.

Proposed law eliminates eligibility for all retail with greater than 100 nationwide employees, and limits retail with fewer than 100 nationwide employees to groceries and pharmacies in an Enterprise Zone. The bill also limits Enterprise Zone Program eligibility of restaurants to those with NAICS codes other than 722110 or 722513. Effective upon governor's signature.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$1,000,000	\$3,000,000	\$4,000,000	\$4,000,000	\$12,000,000
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	\$0	\$1,000,000	\$3,000,000	\$4,000,000	\$4,000,000	\$12,000,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

This bill is expected to increase SGF eventually as projects no longer eligible drop out of the pipeline for Enterprise Zone benefits, assuming the ineligibility begins with advanced notice application. NAICS code 722110 appears to be a 2007 NAICS code for full service restaurants (the same as a 2012 NAICS code of 722511) and a NAICS code of 722513 includes limited services restaurants. The note assumes restaurants are defined as all projects with NAICS codes beginning with 722. The bill also eliminates eligibility for all retail projects over 100 employees and limits those with fewer than 100 employees to groceries and pharmacies in Enterprise Zones. The effective date of the bill is assumed to be 7/1/15, the date after which these establishments will no longer be eligible for the program.

Assuming the last 3 years are indicative of future patterns, associated EZ claims are about \$4.0M per year. Allowing for project timing according to the experience of existing projects would increase SGF by about \$1M in FY 17, \$3M in FY 18 and about \$4M in FY 19 and beyond. Thus, savings from the restricted eligibility will phase in over 3 fiscal years with a one year lag and the first full savings realized in the fourth year (FY 19).

The Department of Economic Development estimates that on average 31 months transpire between advanced notification and the final claiming of a credit with the shortest timeframe at 13 months. The actual distribution for existing projects of the type impacted by this bill is 20% in year 2, 40% in year 3, and 30% in year 4 and with the last 10% spread over 4 years (assumed to be 10% in year 5). The increase in SGF would be cumulative as new projects that would otherwise be eligible are no longer eligible due to this bill.

Project size, NAICS assignments, and locations are assumed to be as experienced under current law. Should projects adjust to the parameters within the program, such as location guidelines, the SGF increase would be smaller. National employee data associated with each project is not captured electronically by LED and is not readily obtainable. These results assume each project's total jobs are the qualifier for employee figures, which may skew the results somewhat from what is depicted here.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> | 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> | 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input checked="" type="checkbox"/> | 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input checked="" type="checkbox"/> | 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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