LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 466** HLS 15RS 977
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.: **W/ PROP SEN FLOOR AMD**
Sub. Bill For.:

Date: June 5, 2015 3:55 PM **Author:** BARRAS
Dept./Agy.: Revenue/Economic Development
Subject: Limits <50 employees to certain parishes for Enterprise Zn **Analyst:** Deborah Vivien

TAX CREDITS EG +$7,200,000 GF RV See Note
Provides for the eligibility of businesses to participate in the Enterprise Zone Program

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 Senate Floor Amendments 3437 eliminates eligibility of all projects with a NAICS code of 44,45, or 72 which is all retail, restaurants and accommodations, including hotels. The bill is effective for all contracts entered into after July 1, 2015. However, projects that have filed advanced notification prior to June 10, 2015 will still be eligible under current law but will only be eligible to apply for benefits after July 1, 2016.

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.	$7,200,000	($5,800,000)	$4,300,000	$6,500,000	$7,200,000	**$19,400,000**
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	**$7,200,000**	**($5,800,000)**	**$4,300,000**	**$6,500,000**	**$7,200,000**	**$19,400,000**

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 as all retail, restaurants and accommodations, including hotels, are no longer eligible and will no longer obtain Enterprise Zone benefits. July 1, 2015 is the date after which no contracts will be accepted from the businesses made ineligible by the bill. However, a project with an advanced notice filed before June 10, 2015, will still be eligible for benefits but cannot claim them until July 1, 2016.

This bill would eliminate all EZ claims from these types of businesses in FY 16, which is estimated at $7.2M annually. However, the $7.2M is expected to be recouped the following year as the bill allows any project with advanced notice prior to June 10, 2015, to file for their FY16 benefits in FY 17. This note assumes that any project able to obtain benefits in FY 16 would already have advanced notice and would file in FY 17 for recoupment. Additionally, in FY 17, it is expected that projects already in process that are able to recoup would adjust by the distribution based the timing of claims averaged over the last three years: 20% in year 2, 40% in year 3, and 30% in year 4 and with the last 10% spread over 4 years (for this note, assumed to be 10% in year 5). FY 17 would effectively allow recoupment from projects related to 2 years of claims. In summary, $7.2M per year would no longer be paid out annually for EZ benefits under this bill but certain projects would be allowed to recoup each year until all projects with advance notice prior to June 10, 2015 have filed. The table reflects a net impact.

	FY16	FY17	FY18	FY19	FY20
	$7.2	$7.2	$7.2	$7.2	$7.2
less: Recoupment based on the Distribution		5.8	2.9	0.7	0
Recoupment of FY 16 projects		7.2			
SGF Impact	$7.2	($5.8)	$4.3	$6.5	$7.2

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 within large parishes, the SGF increase would be smaller. Enterprise Zones within the largest parishes continue to provide location opportunities for these types of projects.

Senate — Dual Referral Rules — House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [x] 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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