



OFFICE OF LEGISLATIVE AUDITOR

Fiscal Note

Fiscal Note On: **SB 442** SLS 16RS 971

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.: **w/ PROP SEN COMM AMD**

Sub. Bill For.:

Date: April 21, 2016 11:45 AM

Author: RISER

Dept./Agy.: Local Government

Subject: Ad Valorem Tax Exemption for Data Services Facilities

Analyst: Robbie Robinson

TAX/AD VALOREM TAX

OR RV See Note

Page 1 of 1

Provides eligibility for exemption from ad valorem taxation for data services facilities.

Purpose of the Bill: This measure provides that, beginning August 1, 2016, a new or expanded data services facility in the state, which creates and maintains at least ten new jobs and makes capital expenditures of at least twenty-five million dollars for the facility, shall be eligible for exemption from ad valorem taxation.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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 state or local government expenditures as a result of this measure.

REVENUE EXPLANATION

The bill will not reduce currently realized local revenues. However, the impact of the proposed measure on state and local revenues in the long-term is indeterminable at this time.

Program Background: The Competitive Projects Property Tax Exemption Program was created in 2012 to implement a ten-year tax exemption for highly competitive projects in targeted, non-manufacturing industry sectors including corporate headquarters, distribution facilities, data services facilities, research and development operations, and digital media and software development. In order to qualify, a business must undertake a project to establish a new or expanded facility in the state; the activities at the facility must be among one of the targeted sectors; the business must create a minimum of fifty new direct jobs, and must make capital expenditures of at least twenty-five million dollars.

No Impact on Current Revenue from Ad Valorem Taxes: This measure reduces the jobs requirements for data services facilities from a minimum of fifty new jobs to a minimum of ten new jobs. This measure will allow exemption from local ad valorem taxation of an unknown amount depending upon the value of the new or expanded data services facility. This will only apply to data service facilities that are not currently meeting Program requirements. Although there will be opportunity costs related to future unrealized revenues, this bill will not affect current realized revenues.

Indeterminable Impact: If a qualifying project is initiated as a result of this bill, the state and local government will recognize some level of economic impact from sales and use tax on construction materials and equipment associated with new or expanded data services facilities. The state will recognize income taxes from the construction and permanent jobs. Local government will also recognize ad valorem taxes on the value of the land the facility is constructed on as well as the tax on the dollar value of the facility not exempted from local ad valorem taxes. Upon expiration of the exemption, local ad valorem taxes will be collected. The exact fiscal impact on local and state revenues is indeterminable at this time.

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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