

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 237** HLS 17RS 496
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: LA Dept. of Economic Development	Analyst: Zachary Rau
Subject: Extends Enterprise Zone Sunset Date	

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
 Extends the sunset for the Enterprise Zone Program

Present law provides that firms may file advance notification for the Enterprise Zone program no later than July 1, 2017. After that date no additional participation in the program can occur.

Proposed law extends the cut-off date by four years, providing that firms may file advance notification for the Enterprise Zone program no later than July 1, 2021.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law will decrease SGF receipts by an indeterminable amount. The proposed legislation extends the timeline that firms may file advance notifications for the Enterprise Zone program by 4 years, from July 1, 2017, to July 1, 2021. For reference, the FY 17 Tax Exemption Budget reports a three-year average (FYs 14-16) of claims under the program of \$47.07M.

However, the LA Dept. of Economic Development (LED) reports that changes to the Enterprise Zone program made by Act 18 of the 1st Extraordinary Session of 2016 will reduce the impact of the program to SGF receipts beginning in FY 18 and in subsequent FYs. Act 18 reduced benefits of the program for firms filing advance notifications on or after April 1, 2016. The reduced impact would phase in over time as firms that filed advance notifications on or after that date, gradually begin claiming credits and firms that filed advance notifications prior to that date (and are therefore subject to full benefits prior to the enacting of Act 18), that are currently in the pipeline exhaust their credits. LED anticipates savings of approximately \$2 M in FY 18, \$6 M in FY 19, \$15 M in FY 20, \$23 M in FY 21, and \$24 M in FY 22 as a result of revisions made in Act 18, although the program will still generate costs to the state fisc that are roughly reflected in the difference between the recent historical annual average cost of the program (\$47M) and the LED expected cost savings from Act 18.

Since the Enterprise Zone program allows for 5-year contracts, benefits granted prior to additional participants entering the program by July 1, 2021, as allowed by this bill, will be able claim benefits through FY 26. The bill will reduce SGF net receipts more than would otherwise occur under current law beginning as early as FY 18 through FY 26 as the additional participation allowed by this bill works its way through the program. No history of program costs under the provisions of current law is yet available upon which to base an estimate of additional costs that will result from this bill.

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}

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