

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 369** HLS 17RS 373

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 26, 2017 12:09 PM	<b>Author:</b> IVEY
<b>Dept./Agy.:</b> LA Dept. of Economic Development	<b>Analyst:</b> Zachary Rau
<b>Subject:</b> Constitutional Amdnt. - Exemptions from Ad Valorem Taxes	

TAX/AD VALOREM TAX OR SEE FISC NOTE LF RV Page 1 of 1  
(Constitutional Amendment) Provides relative to the ad valorem tax exemption for new or existing manufacturing establishments

Present constitution allows for the State Board of Commerce & Industry (C&I Board) to enter into contracts on terms and conditions of the board with new or existing manufacturing establishments and requires gubernatorial approval of the contracts.

Proposed constitutional amendment removes this authority from the C&I Board and allows parish governing authorities to enter into similar contracts instead. Requires each individual taxing authority to approve exemption of particular millages prior to execution of the exemption contract. Allows the legislature to provide for specific terms and conditions of contracts by law as provided for in present constitution.

To be submitted to the electors at the statewide election to be held on October 14, 2017.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	SEE BELOW					
<b>Annual Total</b>						

  

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
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Local Funds	SEE BELOW					
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on state governmental expenditures as a result of this measure. The C&I Board will still have authority over other incentive contract programs. The Secretary of State will not incur any additional expenditures associated with adding another item to the ballot. For reference, the Secretary of State was able to place 14 constitutional amendments on the ballot for the November 8, 2016, election date. With fewer items appearing on the ballot for the October 14, 2017, election, the Secretary of State anticipates having enough ballot space to accommodate any constitutional amendments that may be added.

In the event the proposed constitutional amendment passes, local governing authorities who choose to enter into contracts with new and/or existing manufacturing establishments (See Revenue Explanation) may incur administrative and legal costs associated with negotiating and implementing those contracts. Because participation in exemption activities pursuant to proposed law is unknown, the corresponding expenditures that local governments may incur are unknown.

**REVENUE EXPLANATION**

Because the number of local governing authorities that may choose to enter into contracts with manufacturing establishments is unknown, as well as the corresponding exemption and contract terms, the potential revenue effects for local governing authorities is indeterminable with respect to the current baseline of exemption activity.

The proposed constitutional amendment allows local governing authorities to enter into contracts with manufacturing establishments, exempting the latter from paying ad valorem taxes (millages to be specified in the contract, with the agreement of the local taxing authority) for terms up to five years with a renewal of up to five years. The current authority for this process is under the purview of the State Board of Commerce & Industry and is subject to approval of the governor. For reference, since June 24, 2016, initial contract terms of up to five years with an exemption of up to 100% are allowed. However, renewals are limited to a maximum exemption of up to 80% for up to three years.

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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