

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



Fiscal Note On: **SB 148** SLS 18RS 162

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> March 18, 2018 3:23 PM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> Economic Development / Local Governments	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Industrial Tax Exemption Program	

TAX EXEMPTIONS OR SEE FISC NOTE LF RV Page 1 of 1  
Constitutional amendment to require local government approval of the industrial property tax exemption. (2/3 - CA13s1(A))

Present constitution provides for gubernatorial and State Board of Commerce and Industry approval of 100% ad valorem tax exemption for manufacturers for two sequential five-year periods. In current practice, gubernatorial approval will only be given for a 100% exemption in a first five-year period and 80% exemption in a second three-year renewal period, and only after affected local entities have given approval. Job creation should be a criteria for approval.

Proposed constitution essentially codifies current practice, but requires the State Board of Commerce and Industry to establish criteria for determining what is in the best interests of the state, including the number of new permanent direct jobs, and may include retention of existing jobs upon a showing of compelling circumstances. In addition, up to 100% and 80% of assessed value may be exempted in five-year and three-year exemption periods. To be submitted to the electors at the statewide election to be held on November 6, 2018.

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There may be some administrative costs within the Department of Economic Development associated with the formal establishment of criteria for determining what is in the best interests of the state, particularly regarding new permanent direct job creation and retention. The Department has administered this program for many years, though, and these costs should be minor and largely one-time in nature.

Administrative costs at the local level may actually be diminished somewhat, to the extent that criteria involving job creation and retention are developed by the State Board of Commerce and Industry, for use on a statewide basis.

**REVENUE EXPLANATION**

The current practice of limiting the ad valorem exemption, conditioning it on job creation, and requiring local entity approval has only recently been initiated, and the state and local governments are still developing protocols for routine implementation. It is possible that some projects that would have received exemption prior to the changes in current practice would not be approved under the current practices recently being initiated. The bill essentially codifies the recently initiated current practices, while attempting to require the establishment of some statewide standard for the job creation condition.

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}

**John D. Carpenter**  
**Legislative Fiscal Officer**