LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 493** SLS 18RS 742
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 2, 2018 1:30 PM
Author: LUNEAU
Dept./Agy.: LA Dept. of Economic Development
Subject: Reductions to Certain Incentive Rebate Programs
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TAX/TAXATION OR INCREASE GF RV See Note

Makes permanent reductions to certain tax incentive rebate programs. (gov sig)

For firms filing advance notifications on or after July 1, 2018, proposed law reduces sales and use tax rebates on qualified capital expenditures by 20% (from 100% to 80%) and reduces the percentage of qualified capital expenditures subject to the sales and use tax rebate within the Quality Jobs Credit program by 0.3%, from 1.5% to 1.2%. Proposed law makes permanent a 20% reduction (from 100% to 80%) to rebates on percentages of gross payroll within the Quality Jobs Credit program due to sunset on June 30, 2018. For firms filing advance notifications for the Enterprise Zone program on or after July 1, 2018, proposed law reduces sales and use tax rebates on the construction of a facility by 20% (from 100% to 80%). For firms filing applications for the Competitive Projects Payroll Incentive program on or after July 1, 2015, proposed law reduces rebates for new payroll by 3% (from 15% to 12%). Proposed law establishes respective annual program caps on the following programs beginning on July 1, 2018 with the following amounts: Enterprise Zone - $40 M; Quality Jobs Credit program - $100 M; Competitive Projects Payroll Incentive Program - $5 M.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	$0	$19,400,000	$30,100,000	$32,700,000	$44,100,000	**$126,300,000**
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	**$0**	**$19,400,000**	**$30,100,000**	**$32,700,000**	**$44,100,000**	**$126,300,000**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law works to increase SGF net receipts by an estimated $19.4 M beginning in FY 20 with a phase-up of increased net receipts to an estimated $44.1 M by FY 23. The proposed legislation revises the Quality Jobs Credit program, the Enterprise Zone program, and the Competitive Projects Payroll Incentive program, which are administered by the LA Dept. of Economic Development (LED).

Quality Jobs Program

Revisions to the Quality Jobs Program (QJP) reduce rebates for a percentage of gross payroll and state and local sales and use taxes paid on the construction of a facility by 20%, from 100% to 80%. Furthermore, proposed law imposes an annual program cap of $100 M and reduces the rebate amount for qualified capital expenditures by 0.3%, from 1.5% to 1.2%. LED estimates that QJP rebates will total an estimated $83.8 M ($13 M payroll, $70.8 M sales and use tax rebates) based upon a three-year average spanning FYs 14-16, inclusive of rebates for qualified capital expenditures. The department anticipates increased net receipts associated with these revisions to the QJP payroll and sales and use tax rebates to begin being realized in FY 20, with anticipated receipts of approximately $19.39 M that will phase up to approximately $27.21 M by FY 23. Additionally, LED anticipates increased net receipts from the program cap beginning to be realized in FY 23, totaling approximately $8.86 M.

Enterprise Zone Program

Revisions to the Enterprise Zone Program reduce rebates for state and local sales and use taxes paid on the construction of a facility by 20%, from 100% to 80%, as well as place a $40 M annual cap on the overall program. Based upon historical usage in the program, LED reports that effects of the revisions to Enterprise Zone will first be realized in FY 21 due to claims typically being realized in the third fiscal year after a firm enters the program. Based upon five-year averages from the Tax Exemption Budget (FYs 13-17), LED reports that the anticipated cumulative effect of the reductions to the Enterprise Zone program benefits will total approximately $8.08 M in additional SGF net receipts beginning in FY 21 and in subsequent fiscal years. The $8.08 M total is comprised of approximately $1.13 M from the reduced rebates for sales and use taxes paid on construction, and an anticipated impact of approximately $6.95 M due to the program cap.

Note: LED reports that the reducing the maximum rebate on payroll from 15% new payroll to 12% and placing a $5 M annual program cap on the Competitive Projects Payroll Incentive will not result in any material effect on SGF receipts, as the program has had low usage historically and does not currently have any project contracts in its pipeline.

The annual estimated net receipts savings above are based on historical average program participation. Actual cost savings in any particular year will likely differ from these estimates. In addition, potential participants may determine that program benefits are sufficiently uncertain, and curtail participation. This would work to increase net receipts savings beyond amounts resulting strictly from recalculations based on historical averages.

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}
[x]	13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}	[x] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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