

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



Fiscal Note On: **HB 347** HLS 20RS 181  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 3, 2020 2:10 PM	<b>Author:</b> IVEY
<b>Dept./Agy.:</b> Economic Development	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Industrial Tax Exemption	

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE LF RV Page 1 of 1  
 (Constitutional Amendment) Establishes certain ad valorem property tax exemptions

Present constitution establishes the industrial tax exemption program. As administered currently program provides for an ad valorem tax exemption to 80% of the assessed value of qualifying manufacturing capital investment for ten years; an initial term of five years with an additional five-year renewal term. Approval is required by the Board of Commerce & Industry (BC&I), local governing bodies, and the governor.

Proposed constitutional amendment authorizes three different exemption options. A standard exemption of 80% for a single eight year term, solely on the approval of the BC&I. A local exemption of up to 100% for a term of no more than fifteen years, requiring approval by each political subdivision in whose district the project is to be located. An executive exemption of up to 100% for a term determined by the governor, and requiring approval of the governor. Enactment of any law to administer these options shall require a two-thirds vote of the legislature. The definition of "manufacturing establishment" and "addition" are removed from the Constitution.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
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
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

There is no anticipated direct material effect on state government revenues as a result of this measure. However, local government ad valorem tax bases would be affected depending on which of the three options is applied by particular governing entities for particular projects.

To the extent the standard exemption is applied, local tax bases would be expanded after the eighth year of its term relative to the current total term of ten years (both the current program and the proposed program provide an 80% exemption).

To the extent the local exemption is applied, local tax bases could be expanded or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term of no more than fifteen years.

To the extent the executive exemption is applied, local tax bases could be expanded or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term determined by the governor.

The amendment also removes the definition of "manufacturing establishment" and "addition" from the Constitution. If these exemption options are applied consistent with the current constitutional provision, this removal is not consequential. However, a change to the traditional applicability could materially expand or contract the affected tax base.

In addition, while the bill authorizes three different exemption options, it does not provide guidance as to which one is to be applied in any particular situation. For purposes of this Fiscal Note it is assumed that only one option can be applied to any particular project and does contemplate statutory provisions for the administration of these options.

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