

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 54** HLS 201ES 3
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 10, 2020 6:32 PM	Author: IVEY
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Industrial Tax Exemption	

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE LF RV See Note Page 1 of 1
 Provides for ad valorem tax exemptions for certain capital investment projects (Item # 28)

Proposed law authorizes three different ad valorem tax exemption options for capital investment projects. Based on the constitutional provisions contained in HB 36 of this session, the options are: A standard exemption of 80% for a single eight year term, with BC&I review and local approval. A local exemption of up to 100% for a term of no more than fifteen years, subject to local approval as provided by law. An executive exemption of up to 100% for a term determined by the governor and requiring local approval as provided by law.

Contingent upon adoption of the constitutional amendment contained in HB 36 of this session, to be submitted to the electors at the statewide election to be held on November 3, 2020.

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	<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	<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					
Annual Total						

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.

Based on the constitutional provisions contained in HB 36 of this session:

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, and with local approval.

The bill's controlling constitutional amendment 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 that statutory provisions for the administration of these options will be enacted.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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John D. Carpenter
Legislative Fiscal Officer