

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 719** HLS 15RS 1015

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 20, 2015	4:54 PM	Author: JACKSON
Dept./Agy.: Revenue/Economic Development		Analyst: Deborah Vivien
Subject: Limits Enterprise Zone Benefits and Re-directs to Go Grants		

TAX CREDITS

OR SEE FISC NOTE GF RV

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Limits eligibility for incentives available through the enterprise zone program and establishes a dedication of savings associated therewith for deposit into the Go Grants Fund

Current law provides benefits of a non-refundable income or franchise tax credit of \$2,500 per permanent full-time job with a 10 year carryforward and either a sales tax rebate on construction materials or a payment of 1.5% of project expenditures (refundable tax credit with no cap treated as a rebate payment). Qualifying projects include retail (if 100+ employees, limited to pharmacies and groceries in EZ) and may be located in designated enterprise zones (EZ) but must have 50% of employees reside in an EZ (or the same parish as the project for rural) or be receiving public assistance or be unemployable. Qualifying projects' net new jobs must be the lesser of 5 jobs within 2 years or 10% of existing jobs (minimum of 1) within 1 year.

Proposed law retains current law and limits eligibility of all retail between 75 and 100 employees to groceries and pharmacies. Any funds generated by the EZ program change are to be deposited to the GO Grants Fund created by this bill for use in the Go Grants program.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. However, it appears that projects that clearly do not qualify for EZ would require some type of quasi-approval processing in order to determine a foregone fiscal impact.

Creating a new statutory dedication (GO Grants Fund) within the state treasury will result in a marginal additional workload for the agency, which can be absorbed with existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds.

REVENUE EXPLANATION

Using existing program parameters, this bill will have no impact on SGF because, according to LED, there are no retail EZ projects that are not groceries or pharmacies with 75-100 employees. To the extent that this type of project would apply for EZ credits and would now be disallowed, SGF receipts would be greater than otherwise. However, it is unlikely that many, if any, projects would knowingly apply if they were ineligible. If projects do apply that fall within these guidelines, the potential SGF increase would be diverted to the statutory dedication created by the bill, to the GO Grants Fund for use in the GO Grants program, providing supplemental financial aid to lower income Louisiana higher education students.

The Secretary of LED will determine on January 15 of each year in FY 16, FY 17 and FY 18 the amount of SGF that was not paid as EZ incentives due to the restricted eligibility in this bill. In FY 19 and beyond, the amount of the dedication will be fixed at the three year average. Upon annual approval by JLCB, the amount will be transferred from the SGF.

It is not clear whether simply applying for but being refused EZ incentives would allow the Secretary to establish the potential SGF monies retained so those funds could be deposited to the GO Grants Fund created by this bill or whether project completion would be required or some other parameter. Until those guidelines are in place, certainty in the fiscal impact of this bill remains low.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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