LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 466** HLS 15RS 977
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 29, 2015 9:08 AM **Author:** BARRAS
Dept./Agy.: Revenue/Economic Development
Subject: Limits <50 employees to certain parishes for Enterprise Zn **Analyst:** Deborah Vivien

TAX CREDITS EG +$1,000,000 GF RV See Note
Provides for the eligibility of businesses to participate in the Enterprise Zone Program

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 and restaurants with 50 or fewer employees in parishes with populations over 75,000 to Enterprise Zones. It also lowers employee threshold from 101 to 51 for retail eligibility limited to groceries and pharmacies and disallows restaurants with more than 50 employees.

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	$0	$0	$0	$0	$0	**$0**
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.	$0	$1,000,000	$2,000,000	$3,000,000	$4,000,000	**$10,000,000**
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**	**$1,000,000**	**$2,000,000**	**$3,000,000**	**$4,000,000**	**$10,000,000**

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

REVENUE EXPLANATION
This bill is expected to increase SGF as projects no longer eligible drop out of the pipeline for Enterprise Zone benefits. The effective date of the bill is assumed 7/1/15, the date after which no advanced notices will be accepted from the businesses made ineligible by the bill. The largest impact from the bill is expected to occur in retail and restaurants with 50 or fewer employees in the 16 largest parishes (75,00+ population) for projects located outside of an EZ. The bill limits these projects to locations within an EZ. Restaurants and retail projects in smaller parishes have no location requirements beyond those in existing law. In addition, the bill eliminates eligibility for all restaurants with more than 50 employees and limits retail with 51-100 employees to groceries and pharmacies.

The Department of Economic Development estimates that on average 31 months transpire between advanced notification and the final claiming of a credit with the shortest timeframe at 13 months. The actual distribution for existing projects of the type impacted by this bill is 20% in year 2, 40% in year 3, and 30% in year 4 and with the last 10% spread over 4 years (for this note, assumed to be 10% in year 5). The increase in SGF is cumulative as new projects that would otherwise be eligible are no longer eligible due to this bill.

Using data from existing projects that would have been impacted by this bill, associated EZ claims are about $3.8M per year. Allowing for project timing according to the experience of existing projects would increase SGF by about $1M in FY 17, $2M in FY 18 and about $4M in FY 19 and beyond. Thus, savings from the restricted eligibility will phase in over 3 fiscal years with first full savings realized in year 4 (FY 20). Project size, NAICS assignments and locations are assumed to be as experienced under current law. Should projects adjust to the parameters within the program, such as location guidelines within large parishes, the SGF increase would be smaller. Enterprise Zones within the largest parishes continue to provide location opportunities for these types of projects.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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