LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 719** HLS 15RS 1015
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 5, 2015 6:48 PM | **Author:** JACKSON
Dept./Agy.: Revenue/Economic Development
Subject: Eliminates restaurants and retail from Enterprise Zone | **Analyst:** Deborah Vivien

TAX CREDITS EG +$1,000,000 GF RV See Note
Limits eligibility for incentives available through 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 prohibits eligibility of all retail and restaurants for the Enterprise Zone program for those filing advance notification after July 1, 2015.

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 bill eliminates all retail and restaurants from EZ eligibility.

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, the SGF increase would be smaller. National employee data associated with each project is not captured electronically by LED. These results assume each project total jobs are the qualifier for employee figures which may skew the results.

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}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 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}

Gregory V. Albrecht

Gregory V. Albrecht
Chief Economist