LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **HB 771** HLS 15RS 931

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 11, 2015 6:24 AM **Author:** JOHNSON, MIKE

Dept./Agy.: Culture, Recreation, and Tourism

Subject: Tax rebates for tourism development projects **Analyst:** Drew Danna

TAX/SALES-USE, STATE OR DECREASE GF RV See Note

Establishes an incentive program for development of new tourism infrastructure and assets in exchange for certain sales and use tax revenues

Proposed law creates the Tourism Development Incentives Authority (TDIA) within the Department of Culture, Recreation and Tourism (CRT) to promote tourism development incentives via sales tax rebates for eligible companies over specified periods of time. Proposed law establishes the membership, powers, and authority of the TDIA and provides the criteria necessary to qualify for the incentives offered by the department. Proposed law grants a Louisiana sales tax incentive imposed on sales generated by the tourism development project, defined as a tourism attraction, a theme restaurant destination attraction, an entertainment destination, or a lodging facility.

EXPENDITURES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

REVENUES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

This bill will likely result in an expenditure increase in the approximate amount of $200,000 per year in order for the Department of Culture, Recreation & Tourism (CRT) to hire an Executive Director and Executive Staff Officer. This bill creates the Tourism Development Incentives Authority. This bill allows the authority to collect fees for those entities applying for the program. To the extent enough fees are collected, SGR may be utilized to fund these anticipated expenditures as opposed to SGF. CRT anticipates the authority will take at least 3 years to generate enough revenue to be self-sufficient, but could take longer depending upon private sector interest in the program.

REVENUE EXPLANATION

The proposed legislation will result in an indeterminable loss of sales tax revenue for the SGF (3.97%) as well as decrease in revenue of the Louisiana Tourism Promotion District (LTPD) (0.03%). It is difficult to anticipate a more precise fiscal impact as a result of the proposed legislation as there are no known eligible projects at this time. However, based on the provisions detailed in the proposed bill, it is anticipated that the legislation will result in a decrease in state general and LTPD funds.

This bill grants a rebate of sales tax generated by eligible projects over a period of 10 to 20 years depending upon the classification of the project. The sales tax credit is to be reduced by the amount of any vendor compensation allowed and no interest is to be paid on any rebate. For **illustrative purposes**, a project costing $10 M to develop and annually generating $5 M per year in taxable sales in a "non-incentive parish" could recover up to 25% of the total project cost or $2.5 M of those expenditures over 10 years. Providing for a rebate of state sales taxes, the project would be eligible to receive a sales tax rebate of the state 4% sales and use tax, or $200,000 per year for 10 years, totaling $2 M. This would result in an annual revenue loss to the state of $198,500 in SGF and $1,500 LTPD. Over the 10 year period of the rebate, state general funds would be reduced by approximately $2 M and LTPD funds by $15,000.

Should the project be located in an "incentive parish", the tax rebate maximum can increase to 30% or even 50% of eligible costs depending on the size of the project. If the approved project is considered an "entertainment destination" such as a theme park, the company can apply to extend the rebate for an additional 2 years. To qualify for this extended period the project must have dedicated at least $30 M of the incentives provided under the agreement to a public infrastructure purpose and must agree to reinvest 100% of incentives received during the extension into the original entertainment destination project while providing proper documentation to TDIA.

Senate Dual Referral Rules House

- [x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [x] 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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