

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 66** HLS 161ES 167
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 23, 2016 5:09 PM	Author: JAMES
Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Caps EZ sales/investment to \$100k per job, removes NAICS	

TAX EXEMPTIONS OR +\$2,000,000 GF RV See Note Page 1 of 1
 Provides relative to the Enterprise Zone Program (Item #27)

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 exclude all retail (NAICS 44, 45) and eating and drinking establishments (NAICS 722) filing advanced notice after July 1, 2015. Those filing prior to July 1, 2015 may claim benefits on or after July 1, 2016. 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. Half of qualifying employees must reside in an EZ or in an EZ parish and receiving some form of public assistance in the six months prior to employment, unemployable by traditional standards or lacking in basic skills.

Proposed law eliminates construction, administration and support and hotels, etc. (NAICS 23, 561, 721) and caps the sales tax rebate/investment tax credit at \$100,000 per net new job. The bill also calculates the job credit based on new jobs in excess of the median for that company, including affiliates, in the state. Changes in the bill apply to projects filing advanced notice on or after 4/1/16.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$2,000,000	\$5,000,000	\$13,000,000	\$24,000,000	\$44,000,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$2,000,000	\$5,000,000	\$13,000,000	\$24,000,000	\$44,000,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill contains three substantial changes to the Enterprise Zone program: limits the sales rebate or investment tax credit to \$100,000 per net new job, eliminates construction (NAICS 23), Employment Services (NAICS 5613) and Living Accommodations (NAICS 721) from eligibility, and makes the job credit applicable only to those new jobs in excess of the company's statewide median number of employees, including affiliates.

Because the bill is effective for those projects filing advance notice on or after 4/1/16, the fiscal impact will not be material until FY 18, and gradually phase-in until the full impact is reached in FY 21 and beyond as payments related to the existing similar projects filter through the 5 years of the program.

The Department is only able to quantify two of the changes. Limiting the sales rebate and investment tax credits to \$100,000 per net new job will impact an estimated 82 projects and save about \$20M upon full realization. The limit will impact roughly 90% of the projects. The elimination of construction, employment services and living accommodations from program eligibility will increase SGF by about \$4M upon full realization. According to the Department and based on historical payout schedules, the FY 18 activity will increase SGF by \$2M reaching the full \$24M impact by FY 21.

The Department is unable to quantify the impact of limiting the job credit to those jobs in excess of the statewide workforce for that project, including affiliates, due to data limitations. To the extent that this threshold precludes the payout of program benefits, SGF savings will be larger and will increase along the same schedule as shown above. The magnitude is unknown but may be material.

Program participation and mix of projects is assumed to remain the same as experienced under current law. The actual cost of the Enterprise Zone program in FY 15 was \$46.9M, including job credits and sales tax rebates/investment credits.

- | | | |
|--|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | |
| <input checked="" 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} | |

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist