LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 71** HLS 161ES 188
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 28, 2016 6:06 PM
Author: BARRAS
Dept./Agy.: Economic Development
Subject: Caps EZ sales/investment to $100k per job, removes NAICS
Analyst: Deborah Vivien

TAX CREDITS   OR +$3,500,000 GF RV See Note

Reduces the amount of certain Enterprise Zone tax credits and removes certain hotels from eligibility (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 living accommodations, including hotels (NAICS 72) and reduces the annual job credit from $2,500 to $2,000 per net new job. The bill applies to all projects filing advance 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	$0	$0	$0	$0	$0	**$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	$200,000	$1,000,000	$3,000,000	$3,500,000	**$7,700,000**
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**	**$200,000**	**$1,000,000**	**$3,000,000**	**$3,500,000**	**$7,700,000**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

This bill reduces the benefits in the Enterprise Zone program by decreasing the job credit by $500 per net new job per year and removing living accommodations from eligibility. Both changes will work to increase the general fund net receipts.

Since 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.

Using the average experience of the last three years, the existing job payments meeting the criteria for increased or decreased payment would decrease net program costs by an estimated $3.5 million by the time new projects are phased in (year 5) over a typical claim timeline.

Program participation and mix of projects is assumed to remain the same as experienced under current law.

Actual cost of the Enterprise Zone program in FY 15 was $46.9M, including job credits and sales tax rebates/investment credits.

Senate   Dual Referral Rules   House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 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(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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