

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 477** HLS 18RS 753  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 25, 2018 7:41 PM	<b>Author:</b> IVEY
<b>Dept./Agy.:</b> Economic Development / Local Governments	
<b>Subject:</b> Industrial Tax Exemption Program	<b>Analyst:</b> Greg Albrecht

TAX/AD VALOREM-EXEMPTION OR SEE FISC NOTE LF RV See Note Page 1 of 1  
 (Constitutional Amendment) Provides for ad valorem property tax exemptions

Present constitution provides for an industrial ad valorem tax exemption. In current practice, gubernatorial approval will only be given for a 100% exemption in a first five-year period and 80% exemption in a second three-year renewal period, and only after affected local entities have given approval. Job creation should be a criteria for approval.

Proposed constitutional amendment removes the State Board of Commerce and Industry from the process, and establishes a single seven year term for exemption, subject to approval of the governor. The governor may recommend exemptions in excess of seven years if approved by a 2/3 vote of a committee of the legislature. The bill also provides for payment in lieu of tax agreements between property owners and local governments, as provided by law. Such exemptions are limited to ten years unless recommended for longer by the governor. Eligible property includes property of manufacturing establishments, and other property which has been approved by a committee of the legislature. Property under industrial tax exemption contract, within the first two years of such contract, is eligible for the agreements authorized by this amendment.

To be submitted to the electors at the statewide election to be held on November 6, 2018.

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

The current practice of limiting the ad valorem exemption, conditioning it on job creation, and requiring local entity approval has only recently been initiated, and the state and local governments are still developing protocols for routine implementation. This bill changes some of the basic parameters of the program in the Constitution, but retains gubernatorial approval. Given the current practices being implemented under the current constitutional parameters, it is unclear if the provisions of this bill would change those practices, although the single seven year term may be a constraint current practices would have to accommodate. It is speculative as to whether projects that would or would not receive exemption under current practices would or would not be approved under the provisions of this bill.

The amendment also provides local governments the ability to grant ad valorem tax exemptions in lieu of other payments. Although there may be numerous reasons for both local governments and taxpayers to enter cooperative endeavor agreements to achieve community goals, the utilization of this authority may result in lower local ad valorem tax revenue collections, in that, presumably, taxpayer payments in lieu of ad valorem tax may be lower than the ad valorem tax itself. Otherwise, taxpayers may not be inclined to enter the cooperative endeavor agreements. However the payments in lieu of ad valorem tax may provide resources for particular local projects that might not be available from other sources. Utilization of such agreements is speculative, and the ultimate local government aggregate revenue impacts can not be projected. In addition, it is not clear how, if at all, these agreements would effect the millage adjustment process and the shifting of tax burdens among taxpayers.

Given the bill's ballot date, it seems likely that the earliest fiscal year that could be affected would be FY20 for agreements affecting ad valorem taxes due in late 2019.

Senate      Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 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}

**John D. Carpenter**  
**Legislative Fiscal Officer**