LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 6** SLS 182ES 4
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 30, 2018 12:36 PM **Author:** LUNEAU
Dept./Agy.: LA Dept. of Economic Development/LA Dept. of Revenue
Subject: Reductions to Certain Incentive Rebate Programs & Credits **Analyst:** Zachary Rau

TAX/TAXATION EG +$23,290,000 GF RV See Note

Makes permanent reductions to credits and rebates under the Enterprise Zone, Quality Jobs, and Competitive Project Payroll programs. (Items #26 and 27) (gov sig)

For firms filing advance notifications on or after July 1, 2018, proposed law reduces sales & use tax rebates on qualified capital expenditures by 20% (from 100% to 80%) and reduces the percentage of qualified capital expenditures subject to the sales & use tax rebate within the Quality Jobs Credit (QJC) program from 1.5% to 1.2%. Proposed law makes permanent a 20% reduction (from 100% to 80%) to rebates on percentages of gross payroll within the QJC program due to sunset on June 30, 2018. For firms filing advance notifications for the Enterprise Zone (EZ) program on or after July 1, 2018, proposed law reduces sales & use tax rebates on the facility construction by 20% (from 100% to 80%) and reduces the refundable investment tax credit from 1.5% of qualified capital expenditures to 1.2%. For firms filing applications for the Competitive Projects Payroll Incentive program on or after July 1, 2015, proposed law reduces rebates for new payroll by 3% (from 15% to 12%). Present law requires the LA Dept. of Revenue to issue rebates totaling 80% of the total amount claimed within 10 days for rebate requests. Proposed law retains present law, but changes rebate timelines for EZ and QJC claims from 10 days to 60 days. Present law provides that the LA Dept. of Revenue shall audit rebate requests associated with the aforementioned programs within 3 months of a rebate request. Proposed law increases the audit time to 6 months.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	$0	$23,290,000	$29,100,000	$31,710,000	$34,320,000	**$118,420,000**
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**	**$23,290,000**	**$29,100,000**	**$31,710,000**	**$34,320,000**	**$118,420,000**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The LA Dept. of Revenue reports that proposed law only lengthens timelines for the department to issue rebates and audit entities requesting rebates, which will not impact expenditures.

REVENUE EXPLANATION

Proposed law works to increase SGF net receipts by an estimated $23.29 M beginning in FY 20 with a phase-up of increased net receipts to an estimated $34.32 M by FY 23. The proposed legislation revises the Quality Jobs Credit program, the Enterprise Zone program, and the Competitive Projects Payroll Incentive program, which are administered by the LA Dept. of Economic Development (LED).

Quality Jobs Program

Revisions to the Quality Jobs Program (QJP) reduce rebates for a percentage of gross payroll and state and local sales and use taxes paid on the construction of a facility by 20%, from 100% to 80%. Furthermore, proposed law reduces the rebate amount for qualified capital expenditures by 0.3%, from 1.5% to 1.2%. LED estimates that QJP expenditures will total an estimated $96.93 M based upon a three-year average spanning FYs 14-16, inclusive of rebates for qualified capital expenditures. The department anticipates increased net receipts associated with these revisions to the QJP payroll and sales and use tax rebates to begin being realized in FY 20, with anticipated receipts of approximately $19.39 M that will phase up to approximately $27.21 M by FY 23.

Enterprise Zone Program

Revisions to the Enterprise Zone Program reduce rebates for state and local sales and use taxes paid on the construction of a facility by 20%, from 100% to 80%. Furthermore, proposed law reduces the refundable investment tax credit (ITC) by .3%, from 1.5% of qualified capital expenditures to 1.2% Based upon historical usage in the program, LED reports that effects of the revisions to Enterprise Zone will first be realized in FY 20. Based upon five-year averages from the Tax Exemption Budget (FYs 13-17), LED reports that the anticipated cumulative effect of the reductions to the Enterprise Zone program benefits will total approximately $3.91 M ($619,000 rebates, $3.29 M ITC) in additional SGF net receipts in FY 20 with a phase-up to $7.1 M ($1.13 M rebates, $5.97 M ITC) beginning in FY 21 and in subsequent fiscal years. The increase in SGF receipts is associated with the reduced rebates for sales and use taxes paid on construction and reduced credit amounts for the investment tax credit.

Note: LED reports that the reducing the maximum rebate on payroll from 15% new payroll to 12% for the Competitive Projects Payroll Incentive will not result in any material effect on SGF receipts, as the program has had low usage historically and does not currently have any project contracts in its pipeline.

The annual estimated net receipts savings above are based on historical average program participation. Actual cost savings in any particular year will likely differ from these estimates.

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(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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