

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



Fiscal Note On: **HB 440** HLS 19RS 176  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 3, 2019 12:53 PM	<b>Author:</b> IVEY
<b>Dept./Agy.:</b> LA Dept. of Economic Development/Local Governments	<b>Analyst:</b> Zachary Rau
<b>Subject:</b> Amendments to ITEP Exemptions	

TAX/AD VALOREM-EXEMPTION EG SEE FISC NOTE LF RV Page 1 of 1  
 (Constitutional Amendment) Provides with respect to the ad valorem property tax exemption for certain manufacturers

Present constitution allows for property tax exemptions for new manufacturing establishments and additions to existing establishments for an initial five-year term with one five-year renewal and which must be approved by the Board of Commerce and Industry and the governor. Proposed constitutional amendment grants the following: a 7-year standard exemption of a property from 80% of its taxes approved by the board with no additional approval required; and a non-standard exemption greater than 80% of property taxes for a term greater than 7 years offered only by invitation from the governor and subject to approval of the governor, the House Ways & Means Committee, and the Senate Committee on Revenue & Fiscal Affairs. Proposed constitutional amendment retains present law related to listing property on tax assessment rolls and various definitions.

To be submitted to the electors at the statewide election to be held on October 12, 2019.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<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>

  

REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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					
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

Proposed constitutional amendment will have an indeterminable effect on revenues for local governmental entities. The proposed amendment revises terms for Industrial Tax Exemption Program (ITEP) contracts from the current initial term of five years with one five year renewal to a single term of seven years, known as the "standard exemption." Further amendments to the program add a "non-standard" exemption offered only by invitation of the governor with a term greater than seven years. The non-standard exemption is subject to approval of the governor, the House Ways & Means Committee, and the Senate Committee on Revenue & Fiscal Affairs.

The aggregate impact of the proposed ITEP revisions is indeterminable and dependent upon two factors. The standard property tax exemption of 80% for 7 years supplanting the exemption for 10 years (5-year initial term, 5-year renewal) decreases the assumed base term of standard ITEP contracts by three years, which will increase local revenues as a result. However, utilization of the non-standard exemption, as well as the associated terms for those contracts, creates uncertainty in the aggregate revenue outlook, as it is unknown how many non-standard exemptions will be granted and what their terms will be. As a result, the aggregate local revenue impact of the proposed constitutional amendment is indeterminable.

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**