

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 846** HLS 20RS 1337
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 2, 2020 3:13 PM	Author: WRIGHT
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Payroll Incentive Program for Covid-19-Impacted Businesses	

TAX/TAX REBATES EN DECREASE GF RV See Note Page 1 of 1
 Establishes a Competitive Projects Payroll Incentive Program rebate for COVID-19-impacted businesses

Proposed law also creates a new payroll subsidy for Covid-19 impacted businesses operating on March 13, 2020 and classified as retail trade (NAICS codes 44 & 45) and accommodation and food service (72). Six percent of up to \$500,000 of payroll associated with at least 5 hires/rehires between May 15, 2020 and December 31, 2021 is rebated to participating firms for three years. Hires/rehires must be paid at least federal minimum wage, associated with at least \$40,000 of annual payroll. Eligible businesses must have no more to 50 full-time equivalent employees as of March 1, 2020, and is not part of business enterprise with more than 50 FTE employees. Payroll rebates are to be paid annually from the current collections of taxes imposed by Title 47 of the Louisiana statutes.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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>	<u>\$0</u>
Annual Total						

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The number of potentially eligible firms is quite large, and although the 50-FTE limitations work to reduce the number of ultimate participants, LED would have to make that determinations for each applicant, and make other annual determinations for the firms that did successfully enter the program. The Dept. anticipates the need for up to 7-10 people to timely administer applications within the initial year and a half window to enter the program. Possibly fewer resources would be necessary for the three years of annual determinations for participating firms, after initial vetting completes.

REVENUE EXPLANATION

The new Covid-19 Impacted Business payroll subsidy program could result in substantial state revenue losses. The pool of potentially eligible firms and hires/rehires is large. Workforce Commission data for the fourth quarter of 2019 indicates nearly 17,945 retail trade employer units in the state with 226,979 employees, and 11,255 accommodation and food service employer units with 207,191 employees. Through May 23, 2020, approximately 34% of retail trade employees and 66% of accommodation & food service employees statewide had filed for unemployment compensation. Approximately 41,450 retail trade employees and 80,196 accommodation & food service employees were receiving unemployment compensation by that point. These counts may have stabilized, and will decline as the economy recovers from the coronavirus pandemic shock. That decline will be reflected in hiring/rehiring of employees regardless of this new subsidy.

The extent of participation in this new program is speculative, but given the size of the potentially eligible pool of firms and employees, state revenue loss exposure could be material; likely several millions of dollars per year. This is illustrated with simple assumptions: 10% of the potentially eligible firms participating (2,920) being rebated 6% of the minimum amount of participating payroll (\$40,000) results in \$7 million of state rebate cost exposure. Various realities will influence actual state costs such as the ultimate participation rate of the potentially eligible firms (10% used here), the effect of the 50-FTE employee limitations to participate (works to limit participation), the amount of participating payroll per participating firm (the minimum \$40,000 per firm used here but up to \$500,000 per firm allowed), the roughly 1.5 year window provided to enter the program, and the actual pace and intensity of hiring/rehiring as the economy reopens and recovers from the pandemic closures.

As a note, the program provides payments to firms, which are paid from current tax collections without appropriation.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" 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}

John D. Carpenter
Legislative Fiscal Officer