

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 54** HLS 201ES 3
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 23, 2020 2:44 PM	Author: IVEY
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Industrial Tax Exemption	

TAX/AD VALOREM-EXEMPTION RE SEE FISC NOTE LF RV See Note Page 1 of 1
 Provides for ad valorem tax exemptions for certain capital investment projects (Item # 28)

Proposed law provides for the Louisiana Capital Investment Program. Parishes can enroll in the program upon approval of all parish authorities, and can withdraw within five years of enrollment. Defines the industry sectors of manufacturing, technology, telecommunications, healthcare, and logistics. Establishes three different ad valorem tax exemption options for capital investment projects. Based on the constitutional provisions contained in HB 36 of this session, the options are: A standard exemption of 80% for a single eight year term, with BC&I review and local approval. A local exemption of up to 100% for a term of no more than fifteen years, subject to local approval as provided by law. An executive exemption of up to 100% for a term determined by the governor and requiring local approval as provided by law. Requires LED to produce cost/benefit analysis for each project identifying the projected state and local fiscal impact, including employment impacts, infrastructure requirements, and public service utilization. Contingent upon adoption of the constitutional amendment contained in HB 36 of this session, to be submitted to the electors at the statewide election to be held on November 3, 2020.

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>	\$0
Annual Total						
REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

Additional costs will be incurred by LED to generate cost/benefit analyses for each project within 30 days of application. Analyses must include projected state & local fiscal impacts, employment impacts (construction, permanent, and indirect), state & local infrastructure requirements, and the effects of using state & local public services. Depending on the number of applications and the scope of the projects, such analysis properly and timely done are likely to require additional resources be provided to LED.

REVENUE EXPLANATION

There is no anticipated direct material effect on state government revenues as a result of this measure. However, local government ad valorem tax bases would be affected depending on which of the three options is applied by particular governing entities for particular projects.

Based on the constitutional provisions contained in HB 36 of this session, as well as this bill:

To the extent the standard exemption is applied, local tax bases would be expanded after the eighth year of its term relative to the current total term of ten years (both the current program and the proposed program provide an 80% exemption).

To the extent the local exemption is applied, local tax bases could be expanded or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term of no more than fifteen years.

To the extent the executive exemption is applied, local tax bases could be expanded or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term determined by the governor, and with local approval.

Presumably, only one option can be applied to any particular project.

The bill's controlling constitutional amendment removes the definition of "manufacturing establishment" and "addition" from the Constitution. If these exemption options are applied consistent with the current constitutional provision, this removal is not consequential. However, a change to the traditional applicability could materially expand or contract the affected tax base.

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}

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