LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 534** HLS 21RS 360
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date:	May 9, 2021 3:54 PM	**Author:**	WRIGHT
Dept./Agy.:	Louisiana Department of Economic Development		
Subject:	Re-shoring Incentive Program	**Analyst:**	Monique Appeaning

TAX CREDITS OR DECREASE GF RV See Note
Establishes the Louisiana Re-shoring Incentive Program

Proposed law establishes the LA Re-shoring Incentive Program and provides for relevant definitions. Proposed law provides for specific eligibility requirements such as the business is a new business that is locating in LA and will be re-shoring its supply chain for the manufacture or production of its products in LA, or an existing LA business whose current production of goods is outside of the state or the United States and the business provides documentation that shows it is relocating the supply chain for the production of its products into LA. Proposed law provides for the application, contract approval and administration of the program. Proposed law provides that the secretary shall execute the contract with the business and provide a copy of the executed contract to the Dept. of Revenue before the payment of any benefits pursuant to the contract. Proposed law provides a maximum amount of the tax credit, which shall be a percentage of new payroll, up to a maximum of 10% with a 1.2% benefit on sales and use tax for capital expends.

EXPENDITURES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

REVENUES	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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**

EXPENDITURE EXPLANATION

The Louisiana Department of Economic Development (LED) reports that creating the re-shoring incentive would likely require a full-time program administrator to oversee the program. LED estimates a one-time expenditure of approximately $75,000 to retool and update its Fastlane Next Generation online incentive database in FY 22. The cost for the program administrator is estimated at $90,000 (salary and related benefits). The agency assumes this position is needed beginning in FY 23. The out-years do not assume any market rate adjustments for the position. The total needs annually are $75,000 in FY 22, and $90,000 annually beginning in FY 23 and thereafter.

NOTE: Information was requested from the Department of Revenue. Once information is provided, this fiscal note will be updated.

REVENUE EXPLANATION

The establishment of the re-shoring incentive will result in an indeterminable decrease in revenue. LED reports that because it does not know how many companies would take advantage of this incentive, it unclear what the total cost to the state would be for the program. The reshoring incentive would offer up to a 10% payroll rebate with a 1.2% capital expenditure benefit or a sales and use tax rebate. The aggregate total benefit would equal a state revenue loss. Proposed law provides that no new contracts shall be approved after 12/31/24.

Another factor that makes the revenue decrease indeterminable is how many companies would attempt to receive this incentive vs. Quality Jobs incentives. The two qualifications for the re-shoring incentive are:

1. A new business that is locating in this state that will be re-shoring its supply chain for the manufacture or production of its products by using business in this state, or.
2. An existing LA business whose current production of goods is outside of this state or the U.S., and the business provides documentation that it is relocating the supply chain to produce its products into LA.

LED reports that a significant number of companies have substantial overseas operations and that it may be challenging to ascertain whether they are genuinely re-shoring (e.g., a company creates new jobs and claims they may put them overseas or in LA). In these instances, these companies would have likely participated in the Quality Jobs program in the past, which has a lower rebate than the proposed re-shoring incentive. This type of activity could shift participation to the more expensive re-shoring incentive.

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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