



**LEGISLATIVE FISCAL OFFICE**  
Fiscal Note

Fiscal Note On: **HB 166** HLS 02A- 384  
 Bill Text Version: **ENROLLED**  
 Opp Chamb Action:  
 Sub Bill For:  
 Proposed Amd:

<b>Date:</b> April 15, 2002 1:11 PM	<b>Author:</b> MURRAY
<b>Dept/Agy:</b> Economic Development	
<b>Subject:</b> Expand Quality Jobs Program Tax Exemption	<b>Analyst:</b> Greg Albrecht

TAX CREDITS EN -\$3,650,000 GF RV See Note Page 1 of 1

Adds to the list of industries which qualify for benefits through Quality Jobs Program

Adds a National Basketball Association team to the list of industries which qualify for benefits through the Quality Jobs Program, but stipulates that a team relocates to the state and enters into a contract prior to November 1, 2003. The contract, (a) shall not grant a tax credit greater than \$3,650,000 in any taxable year, (b) shall not allow the salary of anyone who owns more than 25% of the team to be used in the calculation of the tax benefits provided and, (c) may be renewed after November 1, 2003 as currently provided by the program.

Effective July 1, 2002

<b>EXPENDITURES</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>5 YEAR TOTAL</b>
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>5 YEAR TOTAL</b>
State General Fd.	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)	(\$3,650,000)	(\$18,250,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>(\$3,650,000)</b>	<b>(\$3,650,000)</b>	<b>(\$3,650,000)</b>	<b>(\$3,650,000)</b>	<b>(\$3,650,000)</b>	<b>(\$18,250,000)</b>

**EXPENDITURE EXPLANATION:**

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

**REVENUE EXPLANATION:**

The bill allows into the Quality Jobs program the Charlotte Hornets NBA basketball organization in connection with the memorandum of understanding between the team and the state. The Legislative Fiscal Office is aware of two different calculations made by the Department of Economic Development with regard to the Hornets' access to the program that estimate the amount of annual payroll subsidy that the state might have to provide, should the team be made eligible for the program. These amounts are \$3.592 million per year for ten years or \$4.415 million dollars per year for ten years, and depend on the amount of training, infrastructure, and other costs that will ultimately be part of the agreement between the team and the state. Other tax credit amounts have been discussed but the bill states that the maximum amount of annual tax credit that can be granted is \$3.650 million, and this is the amount shown in the table above. However, the actual payroll subsidy amount could be less than this amount and will be determined by the specific Quality Jobs Program contract entered into with the team.

Further explanation of the costs of this bill from an economic perspective may be warranted. The organization affected by the bill is a sports entertainment business. It will sell much of its entertainment service to the local and nearby communities, and will generate taxes from the expenditure flows associated with those sales. Consequently, though, less taxes will be generated by the economic channels from which those community expenditures were diverted. To induce this redistribution of expenditures and taxes the state will provide, through this bill, a payroll subsidy currently capped at \$3.650 million per year for ten years.

Senate Dual Referral Rules  
 13.5.1 >= \$500,000 Annual Fiscal Cost  
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House  
 6.8(F) >= \$500,000 Annual Fiscal Cost  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

*H. Gordon Monk*  
 H. Gordon Monk  
 STAFF DIRECTOR