

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 589** HLS 15RS 1221

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|---------|--------------------------------|
| Date: May 19, 2015 | 8:24 AM | Author: BURRELL |
| Dept./Agy.: Revenue/Economic Development | | Analyst: Deborah Vivien |
| Subject: Adds HUB Zones to EZ program | | |

TAX CREDITS

OR SEE FISC NOTE GF RV

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Establishes criteria for participation in the enterprise zone program for the receipt of tax credits and rebate payments

Current law establishes the Enterprise Zone program which provides a non-refundable income or franchise tax credit of \$2,500 per permanent full-time job with a 10 year carryforward and either a sales tax rebate on construction materials or a payment of 1.5% of project expenditures (refundable tax credit with no cap treated as a rebate payment). Eligibility for businesses located outside an EZ requires at least 50% of employees meet at least one qualification including residing in any Enterprise Zone in LA for urban EZ, residing in an EZ or the parish of the business for rural EZ, were receiving some form of public assistance in the 6 months prior to employment or be unemployable by traditional standards.

Proposed law changes the full-time work requirement to attain the job credit to 6 months. Businesses must be located in an Enterprise Zone, economic development zone or federal HUBZone and must have at least 35% of employees residents of EZ, receiving some form of public assistance at any time prior to employment, unemployable by traditional standards, or have a felony conviction. Businesses located outside the zones must meet the same criteria for at least 50% of employees. Effective for contracts executed after the effective date

| EXPENDITURES | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | | | | | \$0 |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill appears to limit the Enterprise Zone program to include only businesses located in EZs, economic development zones and HUBZones, a historically underutilized business zone which includes lands considered Indian Country and Military facilities closed by the Base Realignment and Closure Act. However, because the zones are not specified (economic development zones may be loosely interpreted), the geographic limitations are not expected to material change the way the EZ program currently operates.

The bill also lowers the threshold at which a business can be eligible from 50% of certain employment criteria to 35% for urban businesses. It also adds felony conviction to the threshold criteria. The Department of Economic Development indicates that the 50% threshold has been met relatively easily for most businesses so lowering the threshold and expanding the criteria is not expected to impact eligibility to a significant degree.

To the extent that businesses would now qualify for the EZ program, SGF revenue would decline. However, given the broad parameters of the current program and those of the bill, SGF revenue is not expected to decline materially. The new criteria in the bill appears to target the same type of businesses already in the program.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input 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} |

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