

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 556** HLS 15RS 1322

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 19, 2015	8:33 AM	Author: BURRELL
Dept./Agy.: Revenue/Economic Development		Analyst: Deborah Vivien
Subject: Amends the Urban Revitalization Tax Incentive Program		

TAX CREDITS

OR SEE FISC NOTE GF RV

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Provides relative to the Urban Revitalization Tax Incentive Program

Current law provides an Urban Revitalization Tax Incentive Program that allows a 5 year income tax exemption and a 5 year (renewable for 5 additional years) Corporate Franchise tax exemption to qualifying businesses. The business also qualifies for a \$5,000 per net new employee refundable credit against income or franchise tax. The business must be located in an urban revitalization zone (HUB Zone or qualified census tract adjacent to a HUB Zone) and 35% of employees reside in the qualifying zone, were receiving some form of public assistance prior to employment, or unemployable by traditional standards. The business must give preference to other LA businesses and be endorsed by local political entities. This credit is in lieu of Enterprise Zone credits. A qualified census tract is determined by state and local government per need.

Proposed law retains current law but only allows the credit if the business has no outstanding tax liability to the state or local taxing authority. The bill also precludes the use of the Quality Jobs credit if the Urban Revitalization credit is granted. A qualified census tract must be determined by poverty and median household income.

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>	<u>\$0</u>
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.	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. This program has been inactive for the last 5 years and the bill does not appear to include provisions that will cause significant use of the program.

The bill changes the determination of a qualified census tract from needs-based to "high rate of poverty and a low median household income" which may cause a geographical restriction within certain interpretations, though this impact is not certain. A reasonable interpretation could be the same as a needs-based result.

The bill does not allow a business to take the jobs credit of \$5,000 per net new job if there is an outstanding state or local tax liability. Presumably, new debt recovery efforts within the Department of Revenue would disallow this practice in the absence of this bill. Thus, there is no predicted impact from this provision.

The bill also disallows the use of the Quality Jobs Program along with the Urban Revitalization Tax Incentive Program, which is current practice. Precluding use of both programs is not expected to have an impact since there has been no duplication in the past.

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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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