

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 635** HLS 15RS 1237
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 6, 2015	5:38 PM	Author: JACKSON
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Reduce Certain Rebate Payments By 20%		

TAX/TAX REBATES REF +\$4,500,000 GF RV See Note Page 1 of 1
 Reduces all tax rebates

The bill reduces certain rebate payments by 20%. The programs affected are Mega-Project Energy Assistance, Quality Jobs Program, Headquarters Relocation, and Competitive Projects Payroll. The rebate reduction applies to projects for which an invitation to apply was extended on or after July 1, 2015.

Provides that Advance Notifications timely filed prior to July 1, 2015 shall not expire if the project has commenced during the effective dates of the notification. Applications must be filed within 24 months after the advance notification, except for advances filed between July 1, 2011 and July 1, 2012, which may be filed prior to August 1, 2015.

Effective July 1, 2015.

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	\$0	\$0	\$0	\$0	\$0	\$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	\$4,500,000	\$9,000,000	\$9,000,000	\$9,000,000	\$31,500,000
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	\$4,500,000	\$9,000,000	\$9,000,000	\$9,000,000	\$31,500,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

While the benefits targeted by the bill are to be reduced by 20%, there is not likely to be a material effect in FY16, and the effect in subsequent years is likely to be smaller than might be anticipated given the number of rebate programs targeted by the bill. Since the bill is effective for contracts entered into on or after July 1, 2015, the length of time it takes participating projects to work completely through these types of programs to the point where a rebate payment is being claimed is typically in excess of one or even two years. Thus, even for active programs, gains in net state tax receipts in FY16 are unlikely. In addition, a number of these programs have no participation in them, very small participation, or no claims have been made yet to assess the baseline of activity that would be affected in future periods.

Special provisions are provided with regard to certain advance notifications, but appear to apply to projects already in process and not intended to be affected by the bill.

Of the targeted programs, only Quality Jobs has a baseline of activity that can be used to estimate the potential effect of the rebate reduction of this bill. Quality jobs rebates have averaged some \$45 million per year since 2008. Assuming this baseline level of participation continues in the future without regard to this bill, a 20% reduction in this program's benefits would amount to a \$9 million net state tax receipt gain. Possibly half of this showing up in FY17, then a full effect by FY18 and beyond.

To date, the Revenue Department reports no claims under the Mega-Project Energy Assistance program, the Headquarters Relocation program, or the Competitive Projects Payroll.

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| Senate | <u>Dual Referral Rules</u> | House | <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 checked="" 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} |

John D. Carpenter
Legislative Fiscal Officer