

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 49** HLS 161ES 100
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Changes the Enterprise Zone job credit	

TAX EXEMPTIONS OR DECREASE GF RV See Note Page 1 of 1
 Provides relative to eligibility for the Enterprise Zone program (Item #27)

Current law provides benefits of 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). Qualifying projects exclude all retail (NAICS 44, 45) and eating and drinking establishments (NAICS 722) filing advanced notice after July 1, 2015. Those filing prior to July 1, 2015 may claim benefits on or after July 1, 2016. Qualifying projects' net new jobs must be the lesser of 5 jobs within 2 years or 10% of existing jobs (minimum of 1) within 1 year. Half of qualifying employees must reside in an EZ or in an EZ parish and receiving some form of public assistance in the six months prior to employment, unemployable by traditional standards or lacking in basic skills.

Proposed law applies to projects filing advanced notice on or after 4/1/16 and increases the job credit from \$2,500 per job to \$3,500 per job if the employee was receiving some form of public assistance in the six months prior to employment, unemployable by traditional standards or lacking in basic skills. The bill also decreases the job credit to \$1,000 for employees not meeting those qualifications.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	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	<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 has opposing changes that make the net fiscal effect, positive or negative, uncertain. The bill decreases general fund receipts by increasing the job credit under the Enterprise Zone program by \$1,000 per employee for those employees meeting certain criteria. The job credit is also lowered by \$1,500 per employee for those not meeting the criteria.

However, LED assesses the bill as likely to have a net negative effect on general fund receipts, because employers will be able to hire employees meeting the conditions for the \$1,000 higher credit provided by the bill rather than the \$1,500 lower credit. Even if employers did not move to hire more employees eligible for the higher job credit, they may have current employees meeting the criteria for the higher credit, and may attempt to claim the higher credit amount on those employees.

LED used the average experience of the last three years, and calculated had the bill's conditions existed over those years, the existing jobs meeting the criteria for increased or decreased credits would have increased net program costs by some \$300,000 in the first year of effectiveness (after a one year advance notification lag) and ramping up to an estimated \$2.8 million cost by the fifth year as new projects are phased in.

Actual cost of the Enterprise Zone program in FY 15 was \$46.9M, including job credits and sales tax rebates/investment credits.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {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}	

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