

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 135** HLS 15RS 171
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 8, 2015 11:08 AM	Author: GISCLAIR
Dept./Agy.: Revenue/Natural Resources	Analyst: Deborah Vivien
Subject: Authorizes a 30% tax credit within an LA 1 Strategic Zone	

ECONOMIC DEVELOPMENT OR DECREASE GF RV See Note Page 1 of 1
 Establishes the LA 1 Strategic Economic Zone and authorizes tax credits for certain land loss mitigation activities within the zone

Proposed law establishes a LA 1 Strategic Economic Zone located between Golden Meadow and Port Fourchon including lands and water bottoms adjacent to LA 1 on the portion between the South Lafourche Levee District ring levee and LA Highway 3090. Further, a non-refundable income tax credit with a 5-year carryforward equal to 30% of eligible expenses related to bulkhead construction or rehabilitation and sand/borrow pit refilling (as long as fill materials are from outside of the economic zone) within the LA 1 Strategic Economic Zone will be defined and implemented by the Department of Natural Resources and the Department of Revenue. Qualifying projects must be on private lands or water bottoms within the zone and owned by a LA resident or a business headquartered within the LA 1 Strategic Economic Zone. Effective for tax periods beginning on and after January 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	<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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The bill allows the Department of Natural Resources and the Department of Revenue the option to promulgate rules to establish guidelines for the program. There is no specific directive for oversight or project verification.

REVENUE EXPLANATION

While specific impacts are highly uncertain, both as to magnitude and timing, to the extent qualifying mitigation projects are completed within the LA 1 Strategic Enterprise Zone, the bill can only work to reduce net state revenue receipts. The fiscal note discusses this revenue loss potential. The bill authorizes a nonrefundable income tax credit of 30% of eligible costs with a 5 year carry-forward of unused credit amounts. Eligible expenses include materials, equipment rental, design service, and labor for bulkhead construction or rehabilitation and sand/borrow pit refills. The credit may be taken in the taxable period in which the project is complete. The bill states that land adjacent to LA 1 would be eligible, though the extent of adjacency is not addressed. Presumably, this could be addressed by the optional rules authorized to be promulgated by the departments of Natural Resources or Revenue.

According to the Department of Natural Resources, the proposed LA 1 Strategic Enterprise Zone appears to include land adjacent to about 14.5 miles of LA 1 that could encompass the shore of Bayou Lafourche, nearly all of which is private land. Assuming all of the land is owned by a LA resident or business headquartered and domiciled in the LA 1 Strategic Economic Zone, and the cost of constructing a bulkhead is about \$5M-7M per mile, total eligible expenses could be about \$87M assuming \$6M per mile (this estimate would be doubled if both sides of the bayou are considered adjacent to LA 1). These preliminary cost estimates are from the Engineering Division of the Coastal Protection and Restoration Authority. No expenses related to the filling of sand/borrow pits is included because it is not clear what pits currently exist in the zone. However, costs are estimated at \$50,000 - \$100,000 per acre for a 6-8 foot fill and would also be eligible for the 30% credit. State revenue exposure to such a project would be 30% of \$87M - \$174M or about \$26M - \$52M over one to five years, constrained by the tax liabilities of the recipients of the credits. The bill also appears to continue to authorize credits for repairs, improvements or any other future construction even if a credit has already been received on a project.

- | | | | |
|-------------------------------------|--|-------------------------------------|---|
| 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 checked="" 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} |

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist