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LATE TESTIMONY

HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 370 RELATING TO ENTERPRISE ZONES

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)

COMMITTEE: ERB

DATE: FEBRUARY 8, 2011

TIME: 8:30AM

POSITION: NO POSITION; CONCERNED WITH COSTS

This measure expands the definition of "eligible business activity" to include the construction and preservation of certain historic properties, healthcare facilities, and certain residences.

The Department of Taxation (Department) takes **no position** on this measure; however has **concerns regarding its revenue loss**.

DEFERRAL TO DBEDT—The Department defers to the Department of Business, Economic Development & Tourism on whether the enterprise zone incentives should be expanded to historic preservation, healthcare facilities, and single- and multi-family residences.

NOT FACTORED INTO BUDGET—The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either.

REVENUE IMPACT & METHODOLOGY—This measure will result in a revenue loss of approximately \$450,000 million per year starting in FY 2012.

Qualified companies in the State's enterprise zones received about \$1.5 million in tax credits in 2006. It is assumed that this proposal would expand enterprise zone activity by 30%. ($\$1.5 \text{ million} * 30\% = \$450,000$).