

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 227** SLS 09RS 514
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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|---|-----------------------------------|
| Date: May 14, 2009 9:35 AM | Author: GRAY |
| Dept./Agy.: La. Housing Finance Agency | Analyst: Evelyn McWilliams |
| Subject: Housing Credit | |

TAX/TAXATION OR -\$1,000,000 GF RV See Note Page 1 of 1
 Provides for recommendations for tax credits for individuals and developers for certain housing projects. (gov sig)

Provides for a tax credit, which is allocated by the Louisiana Housing Finance Agency (LHFA), against individual, corporate income or corporate franchise taxes for providing low income housing based on the provisions of law which grant a similar federal credit in Section 42 of the Internal Revenue Code. Credit amounts unused by taxpayers in any particular year may be carried over indefinitely. Provides for a \$1 million maximum aggregate tax credit allocation by the LHFA for 2009, 2010 and 2011 calendar years. Any portion of the yearly maximum aggregate tax credit that is not allocated by the LHFA to a taxpayer may be allocated in the next calendar year. Effective July 1, 2009.

| EXPENDITURES | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| 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 | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>5 -YEAR TOTAL</u> |
| State Gen. Fd. | (\$1,000,000) | (\$1,000,000) | (\$1,000,000) | \$0 | \$0 | (\$3,000,000) |
| Agy. Self-Gen. | \$75,000 | \$75,000 | \$75,000 | \$0 | \$0 | \$225,000 |
| 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 | (\$925,000) | (\$925,000) | (\$925,000) | \$0 | \$0 | (\$2,775,000) |

EXPENDITURE EXPLANATION

The Louisiana Housing Finance Agency (LHFA) has indicated that in FY10 it will need \$422,082 and 5 additional positions to administer the tax credit program created by this legislation. The agency states that four positions are needed to assist with the intake and processing of additional applications, data entry and other services associated with implementing the state tax credit program and one position is needed to inspect properties as they are being constructed and to monitor the buildings and their units to ensure adherence to all federal and state statutory and regulatory guidelines. After the phase-out of the program on January 1, 2012, the LHFA states that it will need to maintain 1 position to monitor buildings over the 30-45 year compliance period.

The Legislative Fiscal Office suggests it would be more economical to combine regulation of the state tax credit program with the existing unit responsible for regulation of the federal tax credit program. Some additional resources may have to be provided (possibly even beyond the termination period of credit issuance) since the state credit has its own requirements and will add time to process each application, but 5 additional positions to incorporate this new state credit does not seem reasonable.

REVENUE EXPLANATION

The legislation provides for a \$1 million maximum annual aggregate tax credit allocation by the LHFA to recipient taxpayers for calendar years 2009, 2010 and 2011. Thus, this is the state's revenue loss exposure for FYs 2010, 2011, and 2012. However, actual realizations of this exposure depends on the extent that this credit is allocated by the LHFA and the extent to which taxpayers have liabilities sufficient to utilize all credit allocations received. Any portion of the yearly aggregate maximum amount of tax credit that is not allocated by the LHFA to a taxpayer may be rolled over into the next calendar year for allocation. Taxpayers may also carry forward indefinitely any unused tax credits received.

The Louisiana Housing Finance Agency (LHFA) estimates that approximately \$75,000 in self-generated revenue would be generated if it imposes an application fee based on 25% of the federal tax credit application fee. This bill grants the LHFA the authority to charge applicants a fee for the processing of the state tax credit. The LHFA estimates that on average 100 applicants pay an average federal application fee of \$3,000 annually. The actual federal application fee paid by applicants is based on the number of individual housing units included in the building plan and ranges from \$200 (1-4 housing units) to \$10,000 (101 or more housing units) per applicant.

Senate Dual Referral Rules
 13.5.1 >= \$500,000 Annual Fiscal Cost
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$500,000 Annual Fiscal Cost
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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