

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 113** SLS 09RS 265

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 9, 2009 7:38 AM	Author: MARIONNEAUX
Dept./Agy.: Culture, Recreation, Tourism / Revenue	Analyst: Greg Albrecht
Subject: Tax Credit For Rehabilitation of Residential Structures	

TAX/TAXATION

RE DECREASE GF RV See Note

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Increases the tax credits for rehabilitation of certain residential structures. (gov sig)

Current law provides tax credits for rehabilitation of certain owner-occupied structures. The credit amount is various percentages of eligible rehabilitation costs depending on the income of the owner-occupants; with a declining credit percentage as income rises. The maximum amount of credit that can be earned is \$25,000 per structure when the rehabilitation costs exceed \$20,000.

Proposed law doubles most of the parameters of the credit schedule. The current 25% credit when income is less than \$50,000 is changed to a 50% credit when income is less than \$100,000; the current 20% credit when income is \$50,000 - \$75,000 is changed to a 40% credit when income is \$100,000 - \$150,000; the current 15% credit when income is \$75,000 - \$100,000 is changed to a 30% credit when income is \$150,000 - \$200,000; and the current 10% credit when income exceeds \$100,000 is changed to a 20% credit when income exceeds \$200,000. Maximum credit is changed to \$50,000 when costs exceed \$10,000. Effective for rehabilitations starting on and after August 15, 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.	\$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>	<u>\$0</u>
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.	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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

This tax credit has been only modestly used since its inception. While 50 applications have been received since 2006, only 6 have been approved (2 in 2008 and 4 in 2009) for a little over \$875,000 of rehabilitation costs (\$336,000 for 2008 and \$539,000 for 2009) and almost \$96,000 of tax credit awards (\$31,000 2008 and \$65,000 2009). Doubling the tax credit parameters would double the existing baseline of exposure from a simple perspective that at least the current program experience will continue. Exposure is also increased by cutting in half the minimum amount of expenditures necessary to qualify for the maximum amount of tax credit (from \$20,000 to \$10,000). More generous credit provisions may also encourage more participation in the program, as well. To the extent that occurs state revenue losses will be even greater. However, the small base of current activity suggests that the bill may result in only a relatively small additional cost to the state, probably less than \$100,000 per year.

Making the new credit provisions effective for costs and expenses incurred after August 15, 2009 works to reduce the potential revenue losses in FY10, when tax returns for tax year 2009 are filed in the spring of 2010.

Senate

Dual Referral Rules

House

- 13.5.1 >= \$500,000 Annual Fiscal Cost
- 13.5.2 >= \$500,000 Annual Tax or Fee Change

- 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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