LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 113** SLS 09RS 265
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ HSE COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 19, 2009 1:36 PM
Author: MARIONNEAUX
Dept./Agy.: Culture, Recreation, Tourism / Revenue
Subject: Tax Credit For Rehabilitation of Residential Structures
Analyst: Greg Albrecht

TAX/TAXATION RE1 DECREASE GF RV See Note

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 adds federal designated hub zones to the program and 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. For rehabilitations starting after 8/15/2009.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	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	$0	$0	$0	$0	$0	**$0**
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

As currently structured, a maximum of $10 million per year in tax credits can be granted and each tax credit shall be divided in five equal portions to be applied against the tax for the five-year period beginning in the taxable period in which the rehabilitated residential structure is first placed in service.

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.

The proposed legislation also adds federal designated HUB Zones (historically underutilized business zone which includes lands considered Indian Country and Military facilities closed by the Base Realignment and Closure Act) the special districts/areas in which the structure must be located to receive the program's benefits. The Department of Culture, Recreation, and Tourism has testified that there are some 80,000 structures within such zones in the state.

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		☐ 6.8(F) >= $500,000 Annual Fiscal Cost
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer