LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 16** HLS 201ES 5
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 23, 2020 3:06 PM
Author: ECHOLS
Dept./Agy.: CRT / Revenue
Subject: Commercial Historic Rehabilitation Tax Credit
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TAX CREDITS RE DECREASE GF RV See Note

Establishes a tax credit for eligible expenses incurred in the rehabilitation of historic structures included on the National Register of Historic Places (Item #19)

Present law provides tax credits of 20% of qualified expenses incurred before January 1, 2022 to rehabilitate nonresidential and rental historic structures in downtown development districts and cultural districts. Overall program credits are not capped, but per taxpayer per district credits are capped at $5 million per year. Credits are nonrefundable but are transferable, and are allowed a five-year carry-forward for unused credit amounts. State credits may be used in addition to a 20% federal tax credit, and are available for eligible expenditures incurred before January 1, 2022.

Proposed law provides a 30% credit for eligible expenses incurred on projects that begin from August 1, 2020 to June 30, 2026 on structures located in municipalities with populations less than 50,000 and are located in downtown development districts and cultural districts, or are included on the National Register of Historic Places. Maximum eligible expenses are $2 million per project. Maximum annual credits that can be claimed by a taxpayer are $600,000. Effective July 1, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

According to the Dept. of Culture, Recreation, and Tourism, there are some 825 buildings individually listed in the National Register that are not currently located in cultural or downtown development districts that would be potentially eligible for the program under this bill. However, many of these buildings are publicly owned, or are private residences with little interest in conversion to commercial property, or are in smaller towns or rural areas that are less able to support a commercial development. In addition, some of these properties are too large to be rehabilitated within the $2 million project cap.

While it is speculative as to how many of these building might enter the program under the bill's provisions, a sense of the state fiscal exposure can be obtained by noting that if 1% of these buildings enter the program each year under this bill's provisions, those 8 buildings per year would generate $4.8 million of maximum credit exposure to the state, under the bill's parameters of a 30% credit for up to $2 million per year of qualifying expenditures per project. On a per-project basis, the state's exposure is up to $600,000 per project.

The bill also provides 30% tax credits for expenses on eligible structures that are in municipalities with populations less than 50,000 and are in downtown development districts and cultural districts. The number of potential eligible projects meeting these conditions is unknown at this time, but to the extent such projects take advantage of the bill's provisions, the state's cost exposure increases up to $600,000 per project. In the last five years, nearly 97% of the program's projects occur in Arts Council Regions 1, 2, and 7 (24 parishes roughly around the metro areas of Orleans, Baton Rouge, and Shreveport/Bossier). Thus, it is likely that some of the structures the bill targets are already potentially eligible for the current program. Thus, this provision may not result in a material increase in program costs.

It seems unlikely that projects could begin the program after August 1, 2020, and generate tax credits for realization against FY21 revenues. First year effects are not likely until FY22 at the earliest. The transferability of the credits works to accelerate annual program costs, but the five year carry-forward allowed taxpayers for unused credits makes credit realizations possible throughout the fiscal note horizon.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House

- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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