LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 348** HLS 11RS 167
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 6, 2011 9:24 AM
Author: LEGER
Dept./Agy.: Revenue / Economic Development / Culture, Rec., Tourism
Subject: Extend and Expand Tax Credits for Residential Structures
Analyst: Greg Albrecht

TAX CREDITS OR DECREASE GF RV See Note

Increases the amount of the tax credit for the rehabilitation of certain residential structures and extends the taxable periods in which the tax credit applies

Current law provides refundable individual income tax credits (spread evenly over five years) for rehabilitation of owner-occupied structures located in various kinds of special districts, or be historical in nature, or be a 50-year old blighted structure. Credits are 10%, 15%, 20%, and 25% of eligible expenses, depending on the occupants income level, and are limited to one per structure and $25,000 per structure. Project expenditures must be exceed $20,000. The maximum amount of credits granted in any year may not exceed $10 million. Available for tax years through 2012.

Proposed law removes the occupant income requirements entirely, and provides a single 25% credit rate for most projects and a 50% credit rate for blighted properties. Required project expenditures are lowered to $10,000. Credits would be available for tax years through 2016. Effective upon governor's signature.

EXPENDITURES	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**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	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**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

The current program allows tax credits to be given through tax year 2012, which would be claimed on returns filed in the spring of 2013 (FY13). However, in addition to expanding eligibility for the program, the bill increases the tax credit benefit available to certain projects. With an immediate effective date (governor's signature), it is possible that some projects currently underway will qualify for greater credits than they would otherwise. Based on the discussion immediately below though, these additional potential costs are likely to be only in the $10,000 - $20,000 range for FY12 and FY13.

The proposed change in the credit rates (from 10%, 15%, 20%, or 25%) to a single rate of 25% regardless of applicant income may not have a large effect on program costs, though. The per structure credit maximum of $25,000 is retained in proposed law, and when the proposed single 25% rate was applied to the 20 projects completed since 2008 (CRT data) the additional tax credits that would have been awarded to them totaled only $41,000.

Program costs may be more greatly increased by the proposed changes that expand eligibility. Lowering the qualifying project spending threshold to $10,000 from $20,000 will qualify more smaller projects (single room upgrades for example). Eliminating the income thresholds entirely allows higher income households to qualify for any project rather than just blighted property projects. Increasing the credit rate for blighted housing from 10% to 50% is a large change that may encourage more of those types of projects to apply (already 7 of the 20 projects reported by CRT).

The Department of Revenue reports actual tax credit realizations during FY08 - FY10 of $633,000, with most of that amount claimed in FY10 ($429,000). In FY08 $149,000 was claimed, and in FY09 only $55,000 was claimed. If only a program extension were being proposed, a simplified anticipation would be an average of this range of claims being continued into future years; $200,000 per year for example. With the program expansion provided by the bill, costs will obviously be greater than that. The program involves such a relatively small base though, that even if doubled, additional costs in FY14 and beyond might range from $200,000 to $400,000.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
6.8(F)2 >= $100,000 Annual SGF Cost {H&S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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