LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 371** HLS 11RS 547
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 7, 2011 2:06 PM
Author: TUCKER
Dept./Agy.: Environmental Quality
Subject: Tax Credits for Brownfields Sites
Analyst: Matthew LaBruyere

TAX CREDITS OR DECREASE GF RV See Note
Authorizes issuance of the Brownfields Investor Tax Credit to eligible taxpayers

Proposed legislation authorizes nonrefundable but transferable tax credits against state income tax for investment by an eligible tax payer in either voluntary remedial investigation or investigation into the cleanup, redevelopment, and productive reuse of brownfields sites in Louisiana. The tax credit may be be carried forward for 10 years. The amount of the credit shall be 15% of the total investment made in a voluntary remedial investigation at a state-certified site or 50% of the total investment made in a voluntary remediation action at a state-certified site. Eligible taxpayers are local housing authorities contracting with third-party developers or remediation contractors. Applicable to all tax periods beginning on or after Jan 1, 2012, and no credits shall be granted after December 31, 2015; however, the transferability provisions shall continue to be effective after Dec. 31, 2015.

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.	$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**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Environmental Quality currently has staff, funded by federal brownfields grants and Voluntary Remediation Program (VRP) application and oversight fees, to handle the processing of Brownfields investor credits. In addition, the fees collected from VRP applicants will cover new tax credit processing and oversight handled by the department. However, should participation be substantially greater than the existing program, additional funding may be needed.

REVENUE EXPLANATION

The proposed legislation will result in a decrease in state general fund revenue as credits are claimed. The tax credits in this bill are 15% of total investment for voluntary remedial investigation and 50% of total investment for voluntary remedial action (cleanup). It is uncertain how many eligible taxpayers, which are defined in this bill as local housing authorities that contract with a 3rd party developer or remediation contractor to redevelop Brownfields sites, will apply to redevelop Brownfields sites. There are approximately 100 housing authorities in the state and to the extent the housing authority contracts with a developer or remediation contractor, it could potentially qualify for the credit, which could then be sold and/or transferred.

A similar tax credit program that applied to any Brownsfield site expired after 2009. Associated with that program have been 21 Brownfields tax credits with an earned credit amount of approximately $5.53 M. Of these 21 credits, 6 were remedial investigation credits which totaled $131,288 and 15 were remedial action credits which totaled $5.4 M. According to the Department of Revenue, since FY 09, a total of $1,266,168 of credit has been claime against corporate ($651,751) and individual ($614,417) income taxes. Approximately $4.26 M has yet to be claimed against income taxes.

Based on average participation and costs of the existing program (discussed on page 2), the potential state general fund revenue loss exposure might be some $1.8 million per year.

(Continued on Page 2)

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}

Gregory V. Albrecht
Chief Economist

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CONTINUED EXPLANATION from page one:

While it may be uncertain how many eligible taxpayers (local housing authorities) will apply for these tax credits, or how much each applicant would spend to cleanup the affected areas, as each is different in acreage and contamination, the experience of the former program can be informative. Information from the 21 existing projects indicated that the land sizes ranged from less than 0.5 acres to 62 acres, with remedial investigation costs ranging from approximately $70,000 to $250,000, and remedial action cost ranging from approximately $100,000 to $3.1 M. The average cost for remedial investigation was approximately $145,000, which would result in an average tax credit of $21,750 ($145,000 costs x 15% credit). The average cost for remedial action is approximately $720,000, which would result in an average credit of $360,000 ($720,000 costs x 50% credit).

It should be noted that it is unknown how many brownfields sites there are in the state. However, in the previous 3 years, a total of 21 credits have been claimed and certified, which is an average of 7 per year. Since 6 of the credits are remedial investigations and 15 are remedial action credits, this note will use, for illustrative purposes, that an average of 2 remedial investigation credits and 5 remedial action credits could be certified per year. For illustrative purposes, if 2 remedial investigation site costs are certified each year for a a credit of $21,750, and 5 remedial action site costs are certified for $360,000 each year, then the potential SGF revenue exposure is approximately $1,843,500 per year. [($21,750 investigation credit x 2 applicants) + ($360,000 action credit x 5 applicants)].

While the credits may not be applied to corporate or personal income taxes immediately, they can be applied as tax liability increases, or transfer or sale the credit to other persons or entities to apply to income taxes. The potential costs and tax credits are based on averages and may increase or decrease depending on the actual site acreage and contamination, as well as the number sites that participate.

The proposed legislation may result in an increase in Statutory Dedicated revenue as potential brownfields buyers would pay VRP fees and direct oversight costs. To the extent properties enter the Voluntary Remediation Program and are assessed fees for application and cost recovery of oversight, the fees and oversight costs will be deposited into the Hazardous Waste Site Cleanup Fund. Any costs by DEQ to audit the credits from this program will be reimbursed by applicants.

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6.8(F)2 >= $100,000 Annual SGF Cost {H&S}

☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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