LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 63** SLS 11RS 52
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 12, 2011 10:51 AM
Author: MURRAY
Dept./Agy.: Revenue
Subject: Extend Tax Credits for Commercial Historic Structures
Analyst: Greg Albrecht

TAX/TAXATION EG DECREASE GF RV See Note

Extends income and corporation franchise tax credit for the rehabilitation of historic structures.

Current law provides income and franchise tax credits for expenses to rehabilitate nonresidential and rental historic structures in downtown development and cultural products districts. The credit is 25% of costs, and is nonrefundable with a five year carry-forward, but is also transferable. Total credit per taxpayer is limited to $5 million per district. Effective for all taxable years ending prior to January 1, 2012.

Proposed law extends the effectiveness of the program for four more years to all taxable years ending prior to January 1, 2016.

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.

REVENUE EXPLANATION

Program participation data from Culture, Recreation, and Tourism indicate that 124 projects have been awarded over $135 million of tax credits since the program's inception in 2002 through the beginning of 2011. Program participation shifted up materially in 2005 and beyond after the original program limitation of one credit per structure was removed and the dollar credit cap per taxpayer was increased from $250,000 to $5 million (both changed in the 2005 Regular Session). In addition, program participation shifted up after Hurricanes Katrina and Rita.

The Department of Revenue reports tax credit realizations have totaled $73.3 million over the period FY05 - FY10, with most of that ($65 million) in the FY08 - FY10 years. Thus, there is a substantial amount of outstanding tax credit yet to be claimed against liabilities (credit is nonrefundable with a 5-year carry-forward). Current law already allows credits to be awarded for projects that are put in service through the end of calendar year 2011. While the tax credits associated with these projects affect FY12 tax receipts (and subsequent years with carry-forwards), those costs can not be attributed to the extension provided by this bill. Thus, this bill has no effect on FY12.

The extension provided by this bill will allow tax credits to be granted to a number of projects currently in process but not likely to be put in service until sometime in 2012 - 2015. Some 55 projects are approved with estimated spending of $291 million and $73 million of associated gross tax credit exposure. Two very large projects dominate the spending total ($162 million of the total) and may only receive $5 million of credit each, generating an adjusted tax credit exposure of $42 million. This additional tax credit exposure will likely first reduce tax receipts in FY13 (roughly $18 million with carry-forward to future years) and then in FY14 (roughly $24.5 million to $55 million with carry-forward to future years).

In addition, the bill will allow projects not yet at the stage of estimated spending approval to enter the program for completion through 2015, generating even more revenue loss exposure than discussed above.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S} 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}

H. Gordon Monk

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Legislative Fiscal Officer