LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 630** HLS 13RS 483
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: May 21, 2013 11:25 AM
Author: LEGER
Dept./Agy.: CRT / Insurance
Subject: Historic Rehabilitation Tax Credit
Analyst: Greg Albrecht

TAX CREDITS EG1 DECREASE GF RV See Note

Provides for the transferability of the income tax credit for the rehabilitation of historic commercial 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, 2016.

Proposed law allows a single taxpayer to claim $5 million of credit per year, rather than receive no more than $5 million of credit total from the program. Removes the state historic preservation office as a recipient of information regarding the transfer of credits. Extends the effectiveness of the program for two additional years to all taxable years ending prior to January 1, 2018.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**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	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	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**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The change from cultural products district to simply cultural districts is simply a name change for the same districts. The historic preservation office does not track the transfer of credits, and removing them from the reporting requirement will have no effect on the costs of the program. Removing the permanent $5 million limit on credits awarded to a single taxpayer will allow continual participation in the program by taxpayers that reach that mark, but will not change overall program costs.

REVENUE EXPLANATION

Extending Program Through 2017: Program participation data from Culture, Recreation, and Tourism indicate that some 260 projects have been awarded over $243 million of tax credits since the program's inception in 2002. The Department of Revenue reports tax credit realizations have totaled $176.6 million over the period FY06 through mid-FY13. Thus, tax credits outstanding yet to be claimed are $66 million for completed projects (credit is nonrefundable with a 5-year carry-forward). In addition, there are some 362 projects in process but not yet completed. Based on the average credit for the completed projects, another $339 million of credit exposure currently exists in the program. Current law already allows credits to be awarded for projects that are put in service through the end of calendar year 2015. Since the tax credits associated with these projects would affect FY14 through FY16 tax regardless of this bill (and subsequent years with carry-forwards), much of those costs can not be attributed to the extension provided by this bill. To the extent pending projects can not complete by the end of 2015, this bill will provide additional time to complete projects, and allow more credit costs to occur than would otherwise be the case. The bill affects state exposure starting with FY16.

Based on the program termination extension proposed by the bill, the average credit realizations of recent years could be viewed as a simple anticipation of continued costs. This approach would imply continual costs in future years in excess of $40 million per year. Credit realizations in FY11 were $37.4 million, $41.4 million in FY12, and $40.2 million through mid-FY13. In the absence of the bill, credit costs should decline starting in FY16 and years beyond as current projects complete the program without new projects entering. The bill will preclude those cost reductions from occurring.

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

John D. Carpenter
Legislative Fiscal Officer