LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 197** SLS 13RS 327
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 19, 2013 12:48 PM **Author:** RISER
Dept./Agy.: CRT / Insurance
Subject: Tax Credit For Owner-Occupied Rehabilitation **Analyst:** Greg Albrecht

TAX/TAXATION OR DECREASE GF RV See Note

Extends income tax credits for the rehabilitation of certain owner-occupied residential structures and provides for applicability. (gov sig)

Current law provides refundable tax credits against personal income tax for rehabilitation expenses associated with certain owner-occupied residential structures. The credit is 25% of costs (50% for blighted property), limited to $25,000 per structure. Credits are applied against tax liabilities over five years. Total program credit is $10 million per year. Credits may be given for tax years beginning before January 1, 2016.

Proposed law allows credits to be taken against the premium tax, and extends the program to 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.

REVENUE EXPLANATION

Program participation data from Culture, Recreation, and Tourism indicate that 47 projects have been awarded over $941,000 of tax credits since 2008. However, The Department of Revenue reports tax credit realizations have totaled $1.326 million over the period FY08 - FY13 to-date. In addition, there are 143 projects in process but not yet completed. Based on the average credit for the completed projects, another $2.864 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 receipts regardless of this bill (and subsequent years with the five-year required carry-forward on credit awards), 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 for project completion, and consequently allow for more credit costs than would otherwise occur. The bill affects state exposure starting with FY16.

Based on only the program extension proposed by the bill, the average annual credit realizations of recent years could be viewed as a simple anticipation of continued costs. This approach would imply continual costs in future years of $200,000 - $400,000 per year. Credit realizations in FY10 were $395,000, $239,000 million in FY11, $337,000 in FY12, and $210,000 FY13 to-date. 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.

The current law credit against personal income tax is already a refundable tax credit, and the bill adds premium tax liabilities. The bill does not specify how the personal income tax credit is be obtained by an insurer with a premium tax liability. There are no transferability provisions in current law or added by the bill. Presuming an insurer obtains a credit, it does not appear that the addition of the premium tax as an alternative tax liability against which to claim the credit, also as a refundable credit, would change the state's exposure to the program's costs. However, the current law income tax credit is required to be taken over five tax periods. It is not clear if the bill's premium tax credit alternative is subject to that same five-year allocation of a credit. If it is not, then it might be possible for an insurer to obtain a credit and claim the entire amount against premium tax in one year rather than over five years. In this case the states cost exposure would be accelerated and larger revenue losses would occur in any particular fiscal year than would be the case if the realization of a premium tax credit also had to be spread over five years.

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

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Legislative Fiscal Officer