



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 824** HLS 14RS 1211
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 22, 2014 12:41 PM	Author: LEGER
Dept./Agy.: Culture, Recreation, & Tourism	Analyst: Drew Danna
Subject: Application Fees	

TAX CREDITS EG +\$552,000 SG RV See Note Page 1 of 1
 Provides relative to the application fee for projects applying for the rehabilitation of historic structures tax credit applicable to nonresidential property

Current law provides tax credits for nonresidential or residential rental historic structures in downtown development or cultural product districts. The state historic preservation office charges a fee of \$250 per application. Current law also authorizes the sale and transfer of unused tax credits.

Proposed law will alter the current fee from a flat \$250 per application to an amount to be determined by the Department of Culture, Recreation, and Tourism in accordance with the Administrative Procedure Act.

Proposed law adds a tax credit transfer processing fee to the Dept. of Revenue as a part of the notification to the transfer of a tax credit. The Dept. of Revenue is authorized to establish the amount in accordance with the Administrative Procedure Act. Effective July 1, 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$552,250	\$791,500	\$884,250	\$990,500	\$1,113,000	\$4,331,500
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$552,250	\$791,500	\$884,250	\$990,500	\$1,113,000	\$4,331,500

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. This bill provides for the ability of CRT to change the fee structure of the tax credit program in accordance with the Administrative Procedure Act. CRT has mentioned the need for additional personnel, but it is not as a direct result of this bill. As the tax credit increases in popularity, more positions may be needed to process the increase in applications regardless of how the fees are structured.

REVENUE EXPLANATION

The current application fee is \$250 for all applications. The proposed fees will be an amount determined in rules and regulations promulgated by CRT in accordance with the Administrative Procedure Act. Although, the amount of the new fees is not specified in the bill, CRT reports an anticipated fee structure that would result in a revenue collections approximately \$192,000 more than the current fee structure would produce for FY 15 and \$431,500 more than the current fee structure for FY 16 after the Part-3 fees are enacted. This is based on an average annual increase of 44.6% in applications requested since the inception of the tax credit. Under the current fee in statute, the agency collected \$40,750 in fees in FY13.

There is currently a three part process to apply for the state tax credit for historic commercial buildings. The application steps are as follows: Part 1- Certification of Contributing Status, Part 2- Proposed Work Description, Part 3- Request for Project Certification. Based on information provided by CRT, the fees for Part 2 of the application will range from \$250-\$5,000 depending on the credit amount awarded and works as a flat fee. The fees for Part 3 are percentage based adjustments based on the monetary level of the project according to the Qualified Restoration Expenditures (QRE) value of the project. QREs are expenses which are eligible for consideration in the calculation of tax credit totals. The fee paid for Part 2 of the application will be subtracted from the amount to be paid for Part 3. The credit amount is determined by costs and expenses incurred as defined in section 47c(2)(A) of the Internal Revenue Code of 1986. This fee will equal 1.5% of the approved QRE dollar value. These fees will range from \$1,500 to a cap of \$15,000.

This bill also calls for a processing fee for a tax credit transfer that will be paid to the Department of Revenue. This fee will be used to pay for the administrative and other costs necessary to transfer the credit to another user. DoR estimates approximately 1800 transfers will occur per year with a flat fee of \$200 per transfer. This means a projected increase of \$360,000 per year in SGR for DoR.

- | | | | |
|-------------------------------------|--|--------------------------|---|
| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> | 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> | 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input checked="" type="checkbox"/> | 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> | 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Gregory V. Albrecht
 Chief Economist