

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 383** HLS 18RS 571  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 21, 2018 4:06 PM	<b>Author:</b> DAVIS
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> First-Time Home Buyer Rebate	

TAX/TAX REBATES EG -\$15,000,000 GF RV See Note Page 1 of 1  
 Authorizes a rebate for first-time home buyers

Establishes a rebate for eligible costs (down payment and closing costs) expended by a first-time home buyer from a designated first-time home buyer savings account for the purchase of a single-family principle residence (site-built or manufactured home, trailer, mobile home, condominium unit, or cooperative unit). The rebate to the taxpayer is capped at \$7,500, and the total amount of program rebates that can be issued per fiscal year is \$15 million. If total program rebates achieve at least 90% of the current year annual cap, the program cap for the following year is increased by 10%. Rebates are to be paid by the Department of Revenue out of current income tax collections. Various provisions regarding the verification of the rebate and the designated savings account are also contained in the bill.

Applicable beginning July 1, 2019 and ending June 30, 2022. No rebate shall be issued for home purchase that has an Act of Sale executed after June 30, 2022.

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$26,000	\$70,000	\$141,000	\$144,000	SEE BELOW	<b>\$381,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$26,000</b>	<b>\$70,000</b>	<b>\$141,000</b>	<b>\$144,000</b>		<b>\$381,000</b>

  

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	(\$15,000,000)	(\$16,500,000)	(\$18,150,000)	SEE BELOW	<b>(\$49,650,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$15,000,000)</b>	<b>(\$16,500,000)</b>	<b>(\$18,150,000)</b>		<b>(\$49,650,000)</b>

**EXPENDITURE EXPLANATION**

The bill requires the Department of Revenue to collect various pieces of information from program participants to verify their eligibility and the amount of the appropriate reimbursement payment to make. The Department estimates the cost of incorporating this new program into its systems at approximately \$26,000 of programming development time and effort during FY19 in preparation for claims payments starting in FY20. Depending on the popularity of the program, an additional position is required in FY20, and another in FY21, FY22, and possibly into FY23 to process several thousand claims each year.

**REVENUE EXPLANATION**

The bill provides a reimbursement to first-time home buyers who make a down payment and pay closing costs from a designated savings account. The maximum reimbursement per participating home-buyer is \$7,500. Total program reimbursements are capped at \$15 million per year, although each year's cap can grow by 10% if at least 90% of the previous year's cap is awarded. Reimbursements can be made beginning July 1, 2019 through July 1, 2022, affecting FY20, FY21, and FY22.

While estimates of the revenue effect of the program for specific fiscal years are difficult to establish, some idea of the state's potential revenue exposure is possible. The La Realtors Assn. provided home sales counts (through realtors using the multiple listing service only) for various regions of the state. While not exhaustive statewide, these counts for 2017 totaled over 34,000 sales. The National Assn. of Realtors Confidence Index Survey, January 2018 estimated that first-time buyers accounted for 29% of sales (33% in January 2017). Applying a 30% factor to the sales counts results in an estimate of over 10,000 first-time buyer sales potentially eligible for this program in an annual period. Since buyer expenditures eligible for reimbursement include down payment as well as closing costs, it seems likely that the \$7,500 maximum per participant would be typically achieved. In the absence of the bill's total annual program cap, maximum exposure to the state fisc might be over \$76 million per year.

Actual program costs per fiscal year are capped, though, at \$15 million per year, and are initially likely to be less than this capped exposure. It typically takes some time for benefit programs to become widely known and utilized, leading to costs in early periods (FY20) that are relatively low, while costs in later periods ramp up to greater amounts (FY21 & FY22). In this case, costs might ramp-up fairly quickly since a one year delay allows time for the availability of the program to be promoted and for designated savings accounts to be established. Only 2,000 first-time buyers with \$7,500 in eligible expenses would be necessary to fully subscribe the program in any year, and only 90% of that amount (1,800 buyers) would trigger an increase in the subsequent year's cap by 10% (to \$16.5 million) and then only 2,200 buyers with \$7,500 in eligible expenses would trigger a 10% cap increase for year three (to \$18.150 million). These maximum exposures are depicted in the table above. Actual program costs may extend into FY23 for Acts of Sale executed shortly before June 30, 2022.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 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**