

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 16** HLS 201ES 5
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 15, 2020 12:16 PM	Author: ECHOLS
Dept./Agy.: CRT / Revenue	Analyst: Greg Albrecht
Subject: Commercial Historic Rehabilitation Tax Credit	

TAX CREDITS EG DECREASE GF RV See Note Page 1 of 1

Establishes a tax credit for eligible expenses incurred in the rehabilitation of historic structures included on the National Register of Historic Places (Item #19)

Present law provides tax credits of 20% of qualified expenses incurred before January 1, 2022 to rehabilitate nonresidential and rental historic structures in downtown development districts and cultural districts. A minimum of \$10,000 must be spent on a project, and work must meet the standards of the federal Interior Department for rehabilitation, as determined by the state. Overall program credits are not capped, but per taxpayer per district credits are capped at \$5 million per year. Credits are nonrefundable but are transferable, and are allowed a five-year carry-forward for unused credit amounts. State credits may be used in addition to a 20% federal tax credit.

Proposed law provides a 30% credit for eligible rehabilitation expenses incurred on projects that begin from August 1, 2020 to June 30, 2026 on structures included on the National Register of Historic Places. Qualifying maximum eligible expenses are \$2 million per project. Maximum annual credits that can be claimed by a taxpayer are \$600,000. Effective July 1, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	2020-21	2021-22	2022-23	2023-24	2024-25	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

According to the Dept. of Culture, Recreation, and Tourism, there are some 825 buildings individually listed in the National Register that are not currently located in cultural or downtown development districts that would be potentially eligible for the program under this bill. However, many of these buildings are publicly owned, or are private residences with little interest in conversion to commercial property, or are in smaller towns or rural areas that are less able to support a commercial development. In addition, some of these properties are too large to be rehabilitated within the \$2 million project cap of the bill.

While it is speculative as to how many of these building might enter the program under the bill's provisions, a sense of the state fiscal exposure can be obtained if it is assumed that 1% of these buildings enters the program under this bill each year. Those 8 buildings per year would generate \$4.8 million of maximum credit exposure to the state, under the bill's parameters of a 30% credit for up to \$2 million per year of qualifying expenditures per project. On a per-project basis, the state's exposure is \$600,000 per project.

It seems unlikely that projects could begin the program after August 1, 2020, and generate tax credits for realization against FY21 revenues. First year effects are not likely until FY22 at the earliest.

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}

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