



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 221** SLS 23RS 394
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|----------------------------------|
| Date: April 29, 2023 6:37 PM | Author: TALBOT |
| Dept./Agy.: LA Housing Corporation/ Revenue | Analyst: Benjamin Vincent |
| Subject: Tax Credits: Low Income Housing Construction Donations | |

TAX/TAXATION OR -\$10,000,000 GF RV See Note Page 1 of 1

To provide an income tax credit for donations to support the development, construction, or rehabilitation of affordable housing.

Proposed law allows a nonrefundable income tax credit of 50% of the fair market value of eligible donations made in support of development, construction, or rehabilitation of certain affordable housing projects. Proposed law requires the project sponsor to apply to the LA Housing Corporation (LHC), and comply with various requirements in order to qualify. The credit is earned when the property is put into service, and a carryforward period of up to five years is authorized in the event of insufficient tax liability to exhaust the credit. Proposed law specifies that the total credits awarded in any calendar year shall not exceed \$10 million, and that no more than \$1 million in spending shall be eligible in any year for general operating support or technical assistance. Proposed law provides that in a any year the maximum credit allocation is not met, the difference between \$10 million and actual credits allocated shall be added to the next year's maximum. Effective August 1, 2023, and applicable to tax years starting on or after January 1, 2024.

| EXPENDITURES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | SEE BELOW | \$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 |

| REVENUES | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 5 -YEAR TOTAL |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| State Gen. Fd. | (\$10,000,000) | (\$10,000,000) | (\$10,000,000) | (\$10,000,000) | (\$10,000,000) | (\$50,000,000) |
| 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 | (\$10,000,000) | (\$10,000,000) | (\$10,000,000) | (\$10,000,000) | (\$10,000,000) | (\$50,000,000) |

EXPENDITURE EXPLANATION

LFO anticipates increased LHC expenditures associated with administering program requirements, which can likely be absorbed in its existing budget. Additionally, LDR is anticipated to incur costs associated with system development, form changes and testing (assuming no applications required at LDR), amounting to \$51,000 funded with self-generated revenue that may subsequently reduce SGF revenue.

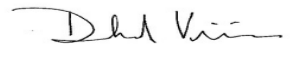
REVENUE EXPLANATION

Proposed law authorizes an income tax credit equal to 50% of the fair market value of eligible donations. Proposed law caps credits awarded by the LA Housing Corporation (LHC) at \$10 million per calendar year.

The administering agency, which has the responsibility of promoting and overseeing activity that is supported by the credit in proposed law, has not reported anticipated participation in the donation credit program. However, LFO notes that a 50% credit is a significant incentive, and the design of the annual maximum to effectively carry forward unallocated credits up to \$10 million in any year potentially implies a plausible expectation of significant participation, such that an average amount of participation over the years is at or near the maximum. This is reflected in the table above.

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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