LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 483** HLS 23RS 841
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 16, 2023 8:39 PM **Author:** MAGEE
Dept./Agy.: Lt. Governor/CRT/Revenue
Subject: Extends historic structures credit to 2029, adds rural credit **Analyst:** Benjamin Vincent

TAX CREDITS EG -$1,200,000 GF RV See Note
Provides relative to the rehabilitation of historic structures tax credit

Current law provides for a transferable income and franchise tax credit of 20% of eligible expenses incurred on income-generating structures located in a downtown development or cultural district that is also listed on the National Register of Historic Places or state certified as contributing. The credit is modeled after a similar 20% federal credit. Expenses must be incurred between 1/1/18 and 1/1/26, and the credit is earned in the year in which the property is placed in service (with a 5 year carryforward). The annual project cap is $5M credits issued per taxpayer per downtown or cultural district. The annual program cap is $125M, unused credits roll to the next year, and expenses paid by other state or federal grants are not eligible.
Proposed law extends the program spending deadline by 3 years to 1/1/29 and increases the credit to 30% of qualified expenses incurred between 1/1/23 and 1/1/29 for historical structures in rural areas as defined in the bill. Proposed law clarifies that the structure must contribute to a National Register listing.

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

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	($1,200,000)	($1,200,000)	($1,200,000)	($1,200,000)	($1,200,000)	**($6,000,000)**
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

After consideration of the efforts involved in the expansion, one or both departments may require additional resources, particularly when combined with other responsibilities that may accumulate due to session action. It is expected that application and transfer fees will either offset or fund any additional duties as understood in the preliminary evaluation of the expansion.

REVENUE EXPLANATION

Increasing the credit from 20% to 30% of qualifying expenses in rural areas is expected to increase credits earned, which translates to a reduction in state general fund. The bill retains the eligibility criteria but increases the credit by 10% for those projects located in rural areas as defined in the bill (parishes less than 100,000 population, municipalities less than 35,000 and all unincorporated areas). CRT can identify 4,277 projects in these rural locales that may qualify for the credit, though cultural districts would have to be formed and rehabilitation plans would have to be undertaken.

According to CRT, the FY23 program cost cap is $323 million with the rollover of unused credits in prior years. According to the Tax Exemption Budget, credit claims were $63.4M in FY 21 and $80.3M in FY22. Based on the projects that received credit reservations in the past 5 years and considered rural as defined in the bill, the 10% increase in credits would have generated an average of $1.2M annually, which would represent the state general fund loss. The timing of the increase in credits claimed would follow the additional rehabilitation spending that is eligible to begin 1/1/23. It appears that if certain projects in these rural areas are underway, they will qualify for the increased credit beginning with first potential losses in FY 24.

The Department of Culture, Recreation and Tourism along with the Department of Revenue receive application and transfer fees from these projects. To the extent the program expansion generates additional applications and transfers, these departments will also receive additional fees.

Senate — Dual Referral Rules
- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [x] 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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