

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



Fiscal Note On: **SB 64** SLS 13RS 194  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|   |                               |
|---|-------------------------------|
| <b>Date:</b> April 14, 2013 4:57 PM                                   | <b>Author:</b> MURRAY         |
| <b>Dept./Agy.:</b> Revenue  | <b>Analyst:</b> Greg Albrecht |
| <b>Subject:</b> Extend Tax Credits for Commercial Historic Structures |                               |

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 1  
 Extends the tax credit for the rehabilitation of historic structures.(gov sig)

Current law provides income and franchise tax credits for expenses to rehabilitate nonresidential and rental historic structures in downtown development and cultural products districts. The credit is 25% of costs, and is nonrefundable with a five year carry-forward, but is also transferable. Total credit per taxpayer is limited to \$5 million per district. Effective for all taxable years ending prior to January 1, 2016.

Proposed law extends the effectiveness of the program for four more years to all taxable years ending prior to January 1, 2020.

| <b>EXPENDITURES</b> | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</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         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>           |

  

| <b>REVENUES</b>     | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | DECREASE       | DECREASE       | DECREASE       | <b>\$0</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         | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <u>\$0</u>     | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$0</b>     | <b>\$0</b>     |                |                |                | <b>\$0</b>           |

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

Program participation data from Culture, Recreation, and Tourism indicate that some 260 projects have been awarded over \$243 million of tax credits since the program's inception in 2002 through early April of 2013. Program participation shifted up materially in 2005 and beyond after the original program limitation of one credit per structure was removed and the dollar credit cap per taxpayer was increased from \$250,000 to \$5 million (both changed in the 2005 Regular Session). In addition, program participation shifted up after Hurricanes Katrina and Rita.

The Department of Revenue reports tax credit realizations have totaled \$176.6 million over the period FY06 - FY13 (midway through FY13). Thus, there is a substantial amount of outstanding tax credit yet to be claimed (\$66 million) against liabilities for completed projects (credit is nonrefundable with a 5-year carry-forward). In addition, there are some 362 projects in process but not yet completed. Based on the average credit for the completed projects, another \$339 million of credit exposure currently exists in the program. Current law already allows credits to be awarded for projects that are put in service through the end of calendar year 2015. Since the tax credits associated with these projects would affect FY14 through FY16 tax regardless of this bill (and subsequent years with carry-forwards), much of those costs can not be attributed to the extension provided by this bill. To the extent pending projects can not complete by the end of 2015, this bill will provide additional time for completion, and consequently credit costs greater than would otherwise occur. Thus, this bill has no effect on state exposure until FY16.

Given that only a program extension is proposed by the bill, the average realizations of recent years could be viewed as a simple anticipation of continued costs. This approach would imply continual costs in future years in excess of \$40 million per year. Credit realizations in FY11 were \$37.4 million, \$41.4 million in FY12, and \$40.2 million midway through FY13. In the absence of the bill, credit costs should decline starting in FY16 and years beyond as current projects complete the program without new projects entering. The bill will preclude those cost reductions from occurring.

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| <u>Senate</u>  | <u>Dual Referral Rules</u> | <u>House</u>   |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}                  |                            | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {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} |

**John D. Carpenter**  
**Legislative Fiscal Officer**