LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 630** HLS 13RS 483
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 19, 2013 5:40 PM
Author: LEGER
Dept./Agy.: CRT / Insurance
Subject: Historic Rehabilitation Tax Credit
Analyst: Greg Albrecht

TAX CREDITS OR DECREASE GF RV See Note

Provides for the transferability of the income tax credit for the rehabilitation of historic commercial structures

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 expands eligibility to structures in municipalities with populations less than 15,000 persons without cultural districts. A single taxpayer is allowed to claim $5 million of credit per year, rather than receive no more than $5 million of credit total from the program. Allows tax credits to be claimed against premium tax liabilities. Removes the state historic preservation office as a recipient of information regarding the transfer of credits. Extends the effectiveness of the program for two additional years to all taxable years ending prior to January 1, 2018.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**				**$0**

EXPENDITURE EXPLANATION

The bill may require additional costs within CRT due to the expansion of the program to structures in a large number of municipalities that may not have cultural districts (they would be eligible now if they had such districts). Currently, projects have been completed in 21 municipalities, while there are 285 under the population threshold of the bill. The extent to which additional applications will be filed is unknown.

REVENUE EXPLANATION

Extending Program Through 2017: 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. The Department of Revenue reports tax credit realizations have totaled $176.6 million over the period FY06 through mid-FY13. Thus, tax credits outstanding yet to be claimed are $66 million 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 to complete projects, and allow more credit costs to occur than would otherwise be the case. The bill affects state exposure starting with FY16.

Based on only the program termination extension proposed by the bill, the average credit 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 through mid-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.

The bill adds premium tax liabilities against which the program's credits can be claimed, and allows transfers between insurers. This does not appear to change the state's total exposure to the program's costs (income tax credits are already transferable). However, realizations may be larger in any particular year (less outstanding credit), making annual revenue losses larger.

Extending the program to structures in municipalities with less than 15,000 population (without special districts but with other qualifiers retained) may be a substantial expansion of the program and, consequently, the state's revenue loss exposure. Currently, projects have been completed in 21 municipalities, while there are 285 under the population threshold of the bill. This provision could result in a substantial increase in the number of structure applications, and program cost exposure to the state.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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