LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On:	**HB 387** HLS 15RS 524
Bill Text Version:	**REENGROSSED**
Opp. Chamb. Action:	**w/ SEN COMM AMD**
Proposed Amd.:	
Sub. Bill For.:	

Date: June 7, 2015 3:39 PM **Author:** LEGER
Dept./Agy.: CRT / Revenue
Subject: Commercial Historic Rehabilitation Tax Credit Extension **Analyst:** Greg Albrecht

TAX/INCOME-CREDIT RE1 -$10,000,000 GF RV See Note

Extends the sunset of the tax credit for the rehabilitation of historic structures for nonresidential property and provides eligibility requirements

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. A single taxpayer can claim $5 million of credit per year. Effective for all taxable years ending prior to January 1, 2018.

Proposed law prohibits tax credits for expenses if any of the expenses are paid for with state or federal funds unless those funds are reported as taxable income or are structured as repayable loans. Allows a single fee per application to be distributed between the historic preservation office and the Department of Revenue. Extends the effectiveness of the program for one additional year to all taxable years ending prior to January 1, 2019. Also limits the total amount of credits allowed in any taxable year to no more than $45 million.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	($10,000,000)	($45,000,000)	**($55,000,000)**
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**($10,000,000)**	**($45,000,000)**	**($55,000,000)**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Based on 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 the future years of the extension in excess of $46 million per year. Credit realizations were $33.6 million in FY12, $52.8 million in FY13, and $54.2 million in FY14. In the absence of the bill, credit costs should decline after FY18 and years beyond as current projects complete the program without new projects entering. The bill will delay for one year those cost reductions from occurring. Based on the average share of fiscal year credit claims (in FY12 - FY14) that are associated with the immediately preceding three tax periods, approximately 21% (or $10 million) of the continued program costs would occur in FY19, then 98.% (or $45 million) in FY20. By FY21, fiscal year costs should begin to decline as the effect of only a one year extension begins to show up in credit realizations.

The bill limits the total amount of credits allowed in any taxable year to no more than $45 million. It is not clear how that limit is to be applied. If applied by CRT as either a limit on projects allowed into the program or on projects being granted their final tax credit amounts after project completion, actual revenue losses in any particular fiscal year as credits are claimed against tax liabilities are not limited, and how to prioritize credit granting still has to be determined as well as the question of what constitutes a taxable year. If applied by LDR as a limit on credit realizations against tax liabilities, the costs of the program are limited each fiscal year but how to prioritize credit granting still has to be determined as well as the question of what constitutes a taxable year. Also, presumably the limit begins upon the effective date of this bill which is midway between a calendar year, which may or may not be a taxable year for program participants. Thus, the effect of the limit is highly uncertain.

Program participation data from Culture, Recreation, and Tourism indicate that some 467 projects have been awarded over $371 million of tax credits since the program's inception in 2002. The Department of Revenue reports tax credit realizations have totaled $252.9 million over the period FY05 through FY14. Thus, tax credits outstanding yet to be claimed are approximately $118 million for completed projects (credit is nonrefundable with a 5-year carry-forward, and are transferable). Current law already allows credits to be awarded for projects that are put in service through the end of calendar year 2017. Since the tax credits associated with these projects would affect FY16 through FY18 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 2017, 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 FY19.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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