LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 387** HLS 15RS 524
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 17, 2015 2:31 PM
Author: LEGER
Dept./Agy.: CRT / Revenue
Subject: Commercial Historic Rehabilitation Tax Credit Extension
Analyst: Greg Albrecht

TAX/INCOME-CREDIT EN -$9,000,000 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 provides the existing 25% credit to expenses incurred prior to January 1, 2018, then reduces the credit to 20% of expenses incurred after January 1, 2018. Prohibits tax credits for any expenses 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 charged by the historic preservation office and the Department of Revenue. Extends the effectiveness of the program to taxable years ending prior to January 1, 2022.

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	($9,000,000)	($36,000,000)	**($45,000,000)**
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**	**($9,000,000)**	**($36,000,000)**	**($45,000,000)**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

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 four years those baseline cost reductions from occurring. 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). 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 baseline costs would occur in FY19, then 98% (or $45 million) in FY20, with a full 100% cost continuation baseline (or $46 million) by FY21. This cost continuation baseline will be tempered after FY18 by the reduction in the credit, provided by the bill, from 25% to 20% (a credit that is 20% lower than current law) for expenses incurred after January 1, 2018. This is acknowledged, for fiscal note purposes, as a 10% smaller cost continuation in FY19, that steps down to a 20% smaller cost continuation in FY20 and beyond. The level of cost continuations could be greater than suggested by this exercise if future realizations are more in line with what has been experienced in FY13 and FY14 (over $50 million per year).

Sometime after FY22, should no further extensions of the program occur, fiscal year costs should begin to decline as the effect of the extension provided by this bill begins to show up in credit realizations.

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, but 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}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 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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