

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1362-01
Bill No.: SB 258
Subject: Economic Development Department; Housing; Historic Preservation; Property, Real and Personal; Tax Credits
Type: Original
Date: March 4, 2011

Bill Summary: This proposal modifies provisions of the Historic Preservation Tax Credit Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	Unknown	Unknown greater than \$65,000,000	Unknown greater than \$65,000,000
Total Estimated Net Effect on General Revenue Fund	Unknown	Unknown greater than \$65,000,000	Unknown greater than \$65,000,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal creates a reduced cap of \$75 million for the Historic Tax Credit program, and removes the exemption for "micro" projects. Based on prior redemption patterns, and because the program has a carry forward provision, BAP estimates this proposal will increase general and total state revenues \$1.5 million in FY12, \$6.5 million in FY13, and \$16.3 million in FY14. Other provisions that may create savings include: a cap of \$50,000 per residential project, an exclusion of residential projects valued over \$150,000, and a prohibition on concurrent use of Low Income Housing or Neighborhood Preservation credits. BAP cannot estimate the potential savings.

This program may impact other economic activity. BAP cannot estimate the potential loss of induced revenues as a result of this proposal.

Officials at the **Department of Economic Development** assume this potential positive fiscal impact would increase by a maximum of \$65 million when the reduced cap for the Historic Preservation Program under this proposal is fully phased-in. The savings is based on the average authorizations (FY 07-FY 09) of \$170,114,756 and the maximum savings based on the current statutory cap of \$140,000,000 in FY 2011.

In response to similar legislation filed this year, SB 280, officials at the **Department of Natural Resources (DNR)** assume the State Historic Preservation Office is responsible for reviewing and approving rehabilitation work for the state credits. Any changes in the tax credit structure may have an impact on the number or rehabilitation projects the State Historic Preservation Office reviews and approves. DNR would not anticipate a significant direct fiscal impact as a result of the changes made to the State Historic Preservation Tax Credit.

Officials at the **Department of Revenue** assume that there is no fiscal impact from this proposal.

Oversight assumes this proposal, beginning in FY 2013, would lower the cap and not allow the issuing of more than seventy-five million dollars in historic preservation tax credits. Oversight will show the increase in net revenues of \$65 million per fiscal year.

Oversight assumes this proposal prohibits the stacking of historic preservation tax credits with neighborhood preservation tax credits or low-income housing tax credits. Therefore, Oversight assumes the proposed changes could result in a reduced amount of tax credits being issued in future fiscal years. Oversight will show a projected increase in net revenues as being Unknown.

ASSUMPTION (continued)

Oversight assumes the changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Revenue - General Revenue</u>			
Reduction of the cap on the tax credit	\$0	\$65,000,000	\$65,000,000
<u>Revenue - General Revenue</u>			
Prohibition of stacking tax credits	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Unknown</u>	<u>Unknown greater than \$65,000,000</u>	<u>Unknown greater than \$65,000,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Under current law, the Department of Economic Development is prohibited from issuing more than one hundred forty million dollars in historic preservation tax credits in any fiscal year for projects which will receive more than two hundred and seventy-five thousand dollars in tax credits. Beginning fiscal year 2013, and each fiscal year thereafter, this act would prohibit the Department of Economic Development from issuing more than seventy-five million dollars in historic preservation tax credits increased by the amount of any rescissions of approved applications for tax such credits. Projects which would receive less than two hundred seventy-five thousand dollars in tax credits will be subject to the seventy-five million dollar cap.

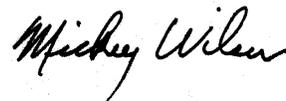
FISCAL DESCRIPTION (continued)

The act prohibits the department from issuing more than fifty thousand dollars in historic preservation tax credits per project for non-income producing residential rehabilitation projects. Non-income producing residential rehabilitation projects involving a subject property with a purchase price in excess of one hundred fifty thousand dollars will be ineligible for tax credits. Applicants for projects that, as of June 30, 2012, have: received approval from the Department of Economic Development; incurred certain levels of expenses; or received certification from the state historical preservation officer will not be subject to the new limitations on tax credit issuance, but will be subject to the current law limitations on tax credit issuance. The act also prohibits the stacking of historic preservation tax credits with neighborhood preservation tax credits or low-income housing tax credits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
Department of Natural Resources
Department of Revenue



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