

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0803-03
Bill No.: HB 617
Subject: Economic Development; Taxation and Revenue
Type: Original
Date: March 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal authorizes reallocation within the current Neighborhood Preservation tax credit program and will have no fiscal impact on their agency.

DED states that in calendar year 2000, the entire \$8,000,000 in "qualifying residence" program credits were utilized, while \$5,000,000 (out of \$8,000,000) in "eligible residence" program credits were utilized, leaving \$3,000,000 in tax credits not utilized.

Oversight assumes 70% of the unused tax credits, \$2,100,000 (70% x \$3,000,000) could be shifted to be utilized by the other program. Since 2000 was the first year of the program, there is not enough historical data to determine if only \$5,000,000 of the \$8,000,000 in "eligible residence" program credits would be utilized consistently, therefore, Oversight has ranged the impact of this proposal to \$0 (reflecting all \$8,000,000 in each program would be utilized before a reallocation) to a negative \$2,100,000 impact to state revenues.

Officials from the **Department of Revenue (DOR)** state they do not anticipate a significant increase in the number of new credits filed. Therefore, the DOR will not request additional FTE at this time. However, if the DOR is incorrect in this assumption, they will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 10,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Costs</u> - Reallocation of Neighborhood Assistance Tax credits.	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

Under current law, of the \$16 million in community improvement tax credits allowed, \$8 million are to be allocated for "eligible residence" programs and \$8 million for "qualifying residence" programs. This proposal states that if, by October 1 of the calendar year, the Director of Economic Development has issued all \$8 million of the credits allowed for one of these programs and not the entire \$8 million allowance for the other program, the director is required to reallocate 70% of any unused tax credits from the program which has not reached its \$8 million cap to the one which has. The reallocated credits will be given to taxpayers who have applied for, but have not received, tax credits in that same year and who are engaged in projects in the area where the tax credit cap has been met for that same year. The maximum reallocated tax credit for any project may not exceed \$560,000.

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

Department of Revenue
Department of Economic Development



Jeanne Jarrett, CPA
Director

March 6, 2001