

Fiscal Estimate Narratives

DOR 11/14/2001

LRB Number	01-3994/1	Introduction Number	AB-624	Estimate Type	Original
Subject					
Historic preservation tax credits					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a taxpayer is eligible for the supplement to the federal historic rehabilitation credit only if the rehabilitation is approved by the secretary of the interior. Credits computed by partnerships, limited liability companies and s-corporations are allocated to partners, members and shareholders according to their ownership interests.

Under the draft, taxpayers would be eligible for the credit when the rehabilitation is recommended by the state historic preservation officer for approval by the secretary of the interior. Credits could be allocated to partners, members and shareholders in any manner specified in a written agreement between the partners, members and shareholders.

According to information from the State Historical Society, virtually all projects recommended by the state preservation officer are approved by the secretary of the interior. Allowing the credits to be claimed when the projects are recommended, rather than approved, would not change the amount of credits, but could mean the credits could be claimed in an earlier tax year. It is believed that the fiscal effect of this change would be minimal.

Allowing partners, members and shareholders to allocate credits in any manner would increase the revenue loss from the credits because the credits could be allocated from business owners without tax liability, who are unable to use the credit, to those with tax liability, who could use the credit. Data are not available to determine the amount of the additional revenue loss from this provision. It is generally assumed that 75% of credits claimed in a year are used to offset tax liability. Assuming that same rate of usage for the supplement to the historic credit, the estimated fiscal effect of this change would be to reduce tax revenues by \$500,000 annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Historic preservation tax credits			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$-500,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$-500,000
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-500,000	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		11/14/2001	