Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-4295/1**	Introduction Number **SB-514**

Subject

Historic buildings; certified downtowns; highway projects

Fiscal Effect

State:

☐ No State Fiscal Effect
☒ Indeterminate

- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☒ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
- ☐ Decrease Costs

Local:

☒ No Local Government Costs
☐ Indeterminate

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☐ Towns ☐ Village ☐ Cities
   ☐ Counties ☐ Others
   ☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☒ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
DOR/ Pamela Walgren (608) 266-7817	Dennis Collier (608) 266-5773	3/11/2004

Fiscal Estimate Narratives
DOR 3/11/2004

LRB Number **03-4295/1**	Introduction Number **SB-514**	Estimate Type **Original**
Subject		
Historic buildings; certified downtowns; highway projects		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, two nonrefundable credits are provided to encourage the rehabilitation of historic buildings in Wisconsin: a supplement to the federal historic rehabilitation credit for commercial properties and a state credit for non-commercial properties.

The supplement to the federal historic rehabilitation credit, equal to 5% of qualified rehabilitation expenditures, can be claimed for projects that are eligible for the federal credit to substantially rehabilitate certified historic buildings for use in a trade or business. The credit is patterned after the federal 20% credit for commercial rehabilitation of historic buildings. Claimants must submit evidence to the Department that the rehabilitation work was approved by the Secretary of the Interior before construction began. The rehabilitation work must meet historic preservation standards and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit can be carried forward for up to 15 years.

The state historic rehabilitation credit is equal to 25% of qualified expenditures to substantially rehabilitate certified historic buildings for owner-occupied personal residences not used in the course of a trade or business. The rehabilitation work must meet historic preservation standards and the expenditures must exceed $10,000. The maximum credit amount is $10,000 ($5,000 for married persons filing separately). Unused amounts of credit can be carried forward for up to 15 years.

Under current law, the amount of the historic credits is used to compute the working families credit. The working families credit is defined as gross tax liability less the itemized deductions, school property tax credit and the historic rehabilitation credits when income is less than $18,000 for married couples filing jointly and $9,000 for other tax filers. The credit essentially eliminates tax liability when income is below these ceilings and is phased out over the next $1,000 when income is above these ceilings.

Description of the Bill

The bill provides a tax credit for 20% of qualified expenses to a person who is not eligible to claim the federal rehabilitation tax credit because the person's qualified expenses do not satisfy the adjusted basis requirement if the property is located in a certified downtown or is included in a business revitalization area, the qualified rehabilitation expenses are at least $10,000, and the rehabilitation is approved by the Historical Society before physical work begins. Claimants must submit evidence to the Department of Revenue that the project was recommended to the Secretary of the Interior for approval by the state historic preservation officer before construction began and must claim the credit for the same taxable year as the credit would have been claimed for federal purposes.

The bill provides a 30% credit for qualified rehabilitation expenses of a historic personal residence that does not meet the federal adjusted basis requirements if the property is located in a certified downtown or a revitalization area. The bill also amends the definition of net tax liability for purposes of the working families credit so that the state historic credit for owner-occupied residences would not be deducted from gross tax liability in computing the amount of the credit and allows the credit to offset the alternative minimum tax.

Up to five municipalities per year may be selected by the Department of Commerce to participate in the main street program. Criteria include private and public sector interest in and commitment to revitalization of the area, potential private sector investment, local organizational and financial commitment to employ a program manager or at least three years, local assistance in paying for design consultants and local commitment to assist in training. By rule, Commerce considers the historical significance of the area and the interest and commitment to historical preservation.

All or a portion of the credit must be paid back to the state if the property is sold or conveyed or the State Historical Society of Wisconsin determines that the property has been altered to the extent that it does not comply with the standards for rehabilitation.

Persons who are not residents of the state and not required to file tax returns in the state, but who have incurred qualified expenses, may enter into an agreement, subject to the Department of Revenue's approval, so that another person may claim the credit.

Fiscal Effect

Data are not available to estimate the additional revenue loss attributable to credits for rehabilitation in certified downtowns or revitalization areas if the property does not satisfy the federal adjusted basis requirements. However, because the commercial credit is not capped, one large project could have a substantial fiscal effect. For example, one project with $20 million in qualified expenditures would produce $4 million of credit, resulting in a tax decrease of $3 million compared to current law.

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. The department estimates one-time costs for developing forms and programming at $62,500. Annual ongoing costs are estimated at $2,800.

Long-Range Fiscal Implications

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-4295/1**	Introduction Number **SB-514**

Subject

Historic buildings; certified downtowns; highway projects

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

The Department estimates one-time costs for developing forms and programming at $62,500.

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$2,800	
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$2,800**	**$**
B. State Costs by Source of Funds		
GPR	2,800	
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, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$2,800	$
NET CHANGE IN REVENUE	$SeeText	$

Agency/Prepared By	**Authorized Signature**	**Date**
DOR/ Pamela Walgren (608) 266-7817	Dennis Collier (608) 266-5773	3/11/2004