

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1493

**Bill Subtitle: TO AMEND THE ARKANSAS HISTORIC REHABILITATION INCOME TAX CREDIT;
AND TO REDUCE THE INVESTMENT THRESHOLD NECESSARY TO QUALIFY FOR THE
ARKANSAS HISTORIC REHABILITATION INCOME TAX CREDIT.**

Basic Change :

Sponsors: Rep. Jett and Sen. Sample

HB1493 amends § 26-51-2204 to allow a historic rehabilitation credit to those who spend \$5,000 or more in qualified rehabilitation expenses on non-income producing properties. Current law requires a minimum investment of \$25,000 for both income producing and non-income producing property. The bill is effective for tax years beginning on or after January 1, 2019.

Revenue Impact :

Revenue neutral. Proposed change does not increase the \$4 Million cap that can be issued in a fiscal year.

Taxpayer Impact :

The investment threshold for non-income producing properties would be reduced from \$25,000 to \$5,000 for purposes of qualifying for the Arkansas Historic Rehabilitation Income Tax Credit. A 25% tax credit of qualified rehabilitation expenses for taxpayers would be available following certified rehabilitation.

Resources Required :

Update computer programs, tax instructions, procedure and training manuals.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Department employees will need to be educated as well as the tax community.

Other Comments :

None.

Legal Analysis :

This bill expands the Arkansas Historic Rehabilitation Income Tax Credit Act. The existing credit was available to an owner of an eligible property that has a minimum investment of \$25,000 for income-producing and non-income producing properties. HB1493 expands § 26-51-2204(d)(2) to include eligibility to non-income-producing properties that have qualified rehabilitation expenses of at least \$5,000. The effective date is for tax years beginning on or after January 1, 2019. This bill does not change the maximum amount of tax credits authorized to be issued by the Arkansas Department of

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Heritage of \$4,000,000 per year. The completed certified rehabilitation date remains on or after January 1, 2009. It is anticipated that there will be an increase in utilization of the Historic Rehabilitation tax credit to the extent that there are any unissued credits in a year.