

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB253**

**Bill Subtitle: TO AMEND THE ARKANSAS HISTORIC REHABILITATION INCOME TAX CREDIT ACT; AND TO DECLARE AN EMERGENCY.**

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### Basic Change :

**Sponsor: Senator B. Sample**

SB253 amends the Arkansas Historic Rehabilitation Income Tax Credit Act by increasing the amount of rehabilitation expenses that would qualify for calculation of the tax credit on income-producing properties. The Act provides tax credits on income producing properties that qualify as certified historic structures under federal law, and for non-income producing properties, properties that are listed on the national Register of Historic Places or designated as contributing to a listed district. Historic rehabilitation tax credits are transferable by the person or organization earning the credit and may be carried forward for up to five (5) tax years when claiming the credit on income tax returns.

Under current law, an owner of income producing property may earn a tax credit equal to twenty-five percent (25%) of qualified rehabilitation expenses calculated on the first \$500,000 of expenditures with the maximum tax credit of \$125,000. For non-income producing properties, the tax credit is calculated on the first \$100,000 of expenditures with a maximum tax credit of \$25,000.

The proposal would increase the maximum amount of qualified rehabilitation expenses to \$1,600,000 for purposes of calculating the tax credit on income-producing properties. The maximum income tax credit for income producing properties would increase to \$400,000.

The bill does not change the maximum amount of tax credits that may be awarded by the Arkansas Department of Heritage at \$4,000,000 per year for all participants. The increased amount of rehabilitation expenses that would qualify for increased credits on income producing property would be allowed for projects that begin on or after July 1, 2017.

### Revenue Impact :

**FY2018** - Estimated \$1,000,000 additional credits to be redeemed annually.

[The overall maximum credit authorized is limited to \$4,000,000 in a fiscal year. The overall maximum credit is not being amended and therefore there is no increase to the maximum amount of credits to be issued in a single year. For FY2016, \$2,900,000 in credits were awarded based on the annual report of the Arkansas Historic Preservation Tax Program, which is in line with the average of the past several years of \$3,300,000 million in credits issued. There is anticipated to be increased utilization of the Historic Rehabilitation tax credit which will increase the frequency of years with tax credits issued at or near the \$4,000,000 cap amount. With the increased issuance of tax credits projected, and comparing average usage rates of the tax credit, this bill will impact general revenue by \$1,000,000 million each year beginning in FY2018. This represents the difference between recent (and rising) usage and the cap amount unchanged in this bill.]

### Taxpayer Impact :

Increased tax credits will be available to property owners with qualified expenses on income-producing property.

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**Resources Required :**

None.

**Time Required :**

Adequate time is provided.

**Procedural Changes :**

None.

**Other Comments :**

None.

**Legal Analysis :**

None.