

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 29, 2013

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3111** by Hilderbran (relating to tax credits for the certified rehabilitation of certified historic structures.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3111, Committee Report 1st House, Substituted: a negative impact of (\$2,000,000) through the biennium ending August 31, 2015.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$8,000,000) for the 2014-15 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.**

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	(\$2,000,000)
2016	(\$2,500,000)
2017	(\$3,127,000)
2018	(\$3,907,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Foundation School Fund 193	Probable Revenue (Loss) from Property Tax Relief Fund 304
2014	\$0	\$0	\$0
2015	(\$1,500,000)	(\$500,000)	(\$8,000,000)
2016	(\$1,875,000)	(\$625,000)	(\$10,000,000)
2017	(\$2,345,000)	(\$782,000)	(\$12,504,000)
2018	(\$2,930,000)	(\$977,000)	(\$15,624,000)

Fiscal Analysis

This bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, and Subtitle B, Title 3, of the Insurance Code, to add new provisions for tax credits for rehabilitation of an historic structure.

The bill would define "certified historic structure." The bill would define "certified rehabilitation" and "eligible costs and expenses" by reference to federal law for a similar federal tax credit. To be eligible for the credit an entity would be required to have an ownership interest in the certified historic structure in the year during which the structure is placed in service after the rehabilitation and the total amount of eligible costs and expenses would be required to exceed \$5,000. The entity would be required to obtain certification from the Texas Historical Commission and provide information sufficient to determine if the property meets the definition of a certified historic structure and information on the rehabilitation sufficient to determine if meets federal standards. The certification would be required to confirm the qualification of the structure and the rehabilitation and specify the date the structure was first placed in service after the rehabilitation. The entity would be required to forward the certification of eligibility to the Comptroller along with an audited cost report and an attestation of the total eligible costs and expenses incurred.

The amount of credit would be limited to no more than 25 percent of the eligible costs and expenses incurred during the rehabilitation. The total amount of credit including any carryforward credit could not exceed the franchise tax or insurance premium tax due after any other applicable credits. Credits that could not be used because of the limitation could be carried forward for not more than five consecutive reports. The entity would apply for the credit on the report for the period for which the credit is claimed and provide a copy of the certificate of eligibility and any other information required by the Comptroller.

The bill would provide that an entity earning a credit could sell or assign all or part of the credit to one or more entities. The acquiring entities could resell the credit. The seller and buyer of a credit would be required to submit to the Comptroller written notice within thirty day after the transaction and include information about the seller and the buyer. The sale or assignment of the credit would not extend the carryforward period of the credit.

For the insurance premium tax, the bill would provide that any entity claiming a credit would not be required to pay any additional retaliatory tax.

The bill would take effect on September 1, 2013, and apply to a franchise tax or insurance premium tax due on or after that date.

### **Methodology**

The estimated fiscal impact is based on information on recent activity in Texas that qualified under the Federal Historic Rehabilitation Tax Credit.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD