

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 9, 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 a tax credit for eligible costs and expenses incurred during the rehabilitation of a historic structure located in a severely damaged or flooded census tract:), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3111, As Introduced: a negative impact of (\$3,251,000) through the biennium ending August 31, 2015, if the bill takes immediate effect; or a negative impact of (\$2,000,000) through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$13,000,000) for the 2014-15 biennium if the bill takes immediate effect, or a revenue loss to the Property Tax Relief Fund of (8,000,000) if the effective date of the bill is September 1, 2013. 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.**

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	(\$375,000)	(\$125,000)	(\$2,000,000)
2015	(\$2,063,000)	(\$688,000)	(\$11,000,000)
2016	(\$2,110,000)	(\$703,000)	(\$11,252,000)
2017	(\$2,637,000)	(\$879,000)	(\$14,064,000)
2018	(\$3,296,000)	(\$1,099,000)	(\$17,576,000)

The above table assumes the bill receives enough votes to take immediate effect. The table below assumes the bill takes effect September 1, 2013.

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

**Fiscal Analysis**

The 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 the rehabilitation of an historic structure.

The bill would define "eligible costs and expenses" by reference to federal law for a similar federal tax credit. The bill would define "substantially rehabilitated" to mean that the qualified rehabilitation expenditures must exceed \$5,000. The credit would equal 25 percent of the eligible costs and expenses incurred during the rehabilitation of an historic structure. The credit would be earned by the entity that owns the historic structure in year in which the property attributable to the eligible costs and expenses is placed in service. To qualify for the credit the historic structure must be listed on the National Register of Historic Places or be certified by Texas Historical Commission as contributing to the historical significance of the state. Prior to the credit being claimed or assigned the commission would be required to issue a tax credit certificate following receipt of an audited report and evidence that the structure has been placed in service.

The total amount of credit claimed for a report including any carryforward credit could not exceed the franchise tax or insurance premium tax due after any other applicable credits. If the credit earned exceeded the limit the excess credit could be carried forward for not more than five consecutive reports.

The bill would provide than an entity earning a credit could sell or assign the credit to one or more transferees on one or more dates. The credits could be sold or assigned three times. The sale or assignment does not extend the carryforward period of the credit. Assignors and assignees would be required to submit to the commission written notification of any sale or assignment within thirty days after the transaction and include information about the assignor and each assignee.

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.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

**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