

1/16/12

PREPARED BY: Doug Gibbs  
DATE PREPARED: February 16, 2012  
PHONE: 402-471-0051

LB 888

Revision: 00

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$170,375	\$ 0	\$ 82,960	(\$ 6,150,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$170,375	\$ 0	\$ 82,960	(\$ 6,150,000)

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 888 amends Nebraska Revised Statutes dealing with revenue and taxation to adopt the Historic Property Restoration and Reuse Act. The bill is to become operative for tax years beginning on or after January 1, 2012.

The bill would provide an income tax credit for any person incurring an eligible expenditure in an amount equal to 25% of the eligible expenditure or 30% if the eligible property is owned by federally-designated 501(c)(3) nonprofit organizations. The credits may be carried forward until completely utilized and may also be sold, transferred, or assigned to another person.

In order to claim the credit an application must be filed with the Department of Revenue within 12 months after the date the eligible property is placed in service. The Department is to then refer the application to the State Historic Preservation Officer to determine if the person qualifies for the credit under the Act. When the application is approved the Department is to issue a certificate to the person evidencing the credit.

The credit is subject to recapture if the any time during five years after the eligible property is placed into service the eligible expenditure for the credit was granted ceases to qualify as an eligible expenditure. The recapture amount is based on a declining percentage dependent on the year in which it ceases to qualify.

The bill provides for the Department of Revenue to promulgate and adopt rules and regulations to carry out the Act which are to include an application fee. The bill does not specify the amount of the application fee or which cash fund is to receive the fund.

Applications for the credit will not be accepted on or after January 1, 2018.

The Department of Revenue estimates that LB 888 will have the following fiscal impact:

FY2012-13:	\$	0
FY2013-14:	(\$	6,150,000)
FY2014-15:	(\$	8,346,000)

The State Historical Society has indicated that for the period 2002 to 2011, rehabilitation expenditures on historic buildings have averaged \$28,722,307 per year. Assuming the entire amount qualifies as eligible expenditures, the average tax credit would be approximately \$7.9 million per year.

Based on the above, the Department of Revenue's estimate of fiscal impact appears reasonable and we find no basis to disagree with their estimate.

The Department of Revenue has indicated a one-time programming cost of \$90,794 to the OCIO to modify tax forms and the NebFile system. The State Historical Society estimates expenditures of \$79,581 and \$82,960 for FY2012-13 and FY2013-14 respectively, for 1.0 FTE and operating costs.

We agree with the Department of Revenue's and the Historical Society's estimate of cost.

## DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	2/21/12	PHONE 471-2526
<b>COMMENTS</b>			
<p>DEPT. OF REVENUE – Sec. 6 of the bill includes an implication that the Dept. of Revenue is required to assess an application fee to offset the department's costs of processing applications submitted under the bill. However, the bill does not specify a fee amount and does not indicate the fund to which the application fee is to be credited. It should also be noted that while the Dept. of Revenue would reasonably incur some initial one-time implementation expenses, the on-going cost of administering the new law would fall on the State Historical Society.</p>			
<p>STAT HISTORICAL SOCIETY – The estimated expenditures are in the range of what would be reasonable given the bill's provisions regarding eligibility and recapture.</p>			



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**LB<sup>(1)</sup> 888 FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska State Historical Society

Prepared by: <sup>(3)</sup> Michelle Furby/Bob Puschendorf Date Prepared: <sup>(4)</sup> January 13, 2012 Phone: <sup>(5)</sup> (402) 471-3171  
Revised 2/16/12

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2012-2013</u>		<u>FY 2013-2014</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>79,581</u>	<u>*</u>	<u>82,960</u>	<u>*</u>
CASH FUNDS	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
FEDERAL FUNDS	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
OTHER FUNDS	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUNDS</b>	<b><u>79,581</u></b>	<b><u>          </u></b>	<b><u>82,960</u></b>	<b><u>          </u></b>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Estimate based on:

- 1 FTE, Building Program Specialist to review projects, provide technical assistance to projects, serve as liaison to Department of Revenue
- Supplies and materials
- Travel expenses to project locations
- Computer equipment and software

\*Revenue implications for LB888. The following items have been calculated from data obtained for actual historic rehabilitation in Nebraska, compiled by the National Park Service for fiscal years 2002-2011:

- Average rehabilitation expenditures on historic buildings: \$28,722,307
- Total housing units created: 1195

The following statistics have been compiled applying this data from a model developed by Rutgers University for the National Center for Preservation Technology and Training of the National Park Service:

- Average jobs created from historic rehabilitation in Nebraska: 480/year or a mean of 522
- Average state taxes generated: \$687,690/year
- Average local taxes generated: \$693,140/year
- Average gross state product: \$18,841,270/year

**MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2012-2013</u>	<u>2013-2014</u>
	<u>12-13</u>	<u>13-14</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
<u>Building Program Specialist</u>	<u>1</u>	<u>1</u>	<u>44,331</u>	<u>45,218</u>
<u>Benefits</u> .....			<u>30,300</u>	<u>32,792</u>
<u>Operating</u> .....			<u>1,250</u>	<u>1,250</u>
<u>Travel</u> .....			<u>2,500</u>	<u>2,500</u>
<u>Capital outlay</u> .....			<u>1,200</u>	<u>1,200</u>
<u>Aid</u> .....				
<u>Capital improvements</u> .....				
<b><u>TOTAL</u></b> .....			<b><u>79,581</u></b>	<b><u>82,960</u></b>