

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **1815**

HOUSE BILL NUMBER **542**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to tax credits.**

SPONSOR **Representative James Kay**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			(\$5,250,000)	(\$5,250,000)
EXPENDITURES			(\$100,000)	(\$100,000)
NET EFFECT			(\$5,350,000)	(\$5,350,000)

() indicates a decrease/negative

MEASURE'S PURPOSE: The proposal establishes the Kentucky affordable housing income tax credit. The stated purposes of the new credit include:

1. To encourage a greater amount of private investment in affordable housing in the Commonwealth;
2. To expand the development of housing for persons with special needs, the elderly, and the Commonwealth's most vulnerable populations; and
3. To eliminate chronic homelessness for Kentuckians recovering from substance abuse.

PROVISIONS/MECHANICS: The bill creates a new section of KRS Chapter 198A to establish the Kentucky affordable housing credit. The credit would apply for allocation years beginning on or after January 1, 2017, and before January 1, 2021, against the income and insurance premiums taxes. The maximum value of all Kentucky tax credits awarded during any allocation year shall be equal to the lesser of: (1) 50% of the total annual federal low-income housing tax credits awarded by the Kentucky Housing Corporation; or (2) \$5,250,000.

While the federal tax credit, upon allocation, is allowed over a ten-year period, the Kentucky tax credit is allowed over a six-year period. The credit is claimed beginning with the taxable year in which the last building of a qualified project is placed in service. If the credit for any taxable year cannot be fully utilized within that year, the credit may be carried forward by the qualified taxpayer for three taxable years.

New sections are created in KRS Chapter 136 and 141 as a reference to the new credit established in KRS Chapter 198A and the credit is ordered in both the income and insurance premiums taxes.

FISCAL EXPLANATION: The new tax credit establishes a maximum value to be allocated in any year at \$5,250,000. This amount represents the negative fiscal impact of the proposal and amount of General Fund dollars that would be expended for this tax credit. The Department of Revenue estimates that the new tax credit would create an additional expenditure of \$100,000 to provide new tax forms and modify existing computer systems to administer the new tax credit.

DATA SOURCE(S): LRC Staff

PREPARER: Jennifer Hays **NOTE NUMBER:** 149 **REVIEW:** JRS **DATE:** 3/17/2016