HOUSE SUMMARY OF SENATE AMENDMENTS

HB 4 **2020 First Extraordinary Session** **Magee**

TAX CREDITS: Extends the date for eligible expenses to qualify for the tax credit for the rehabilitation of historic structures and extends the effectiveness of the credit (Item #19)

Synopsis of Senate Amendments

1. Establishes an annual $120 million fiscal year cap on the amount of tax credits that may be *granted* and authorizes unused amounts of credit to be carried forward to subsequent years.

2. Establishes an annual fiscal year cap on the amount of tax credits that may be *claimed* against state income and corporation franchise tax of $75M for FY 21, $85M for FY 22, $100M for FY 23, and no cap for FY 24 and beyond.

3. Requires the Dept of Revenue and the Dept. of Culture, Recreation, and Tourism to make reasonable efforts to post a listing of estimated unused credit amounts on their websites.

4. Limits credit based on comparison of actual versus estimated costs and expenses.

5. Changes the expiration of the tax credit from Jan. 1, 2028 to Jan. 1, 2026.

Digest of Bill as Finally Passed by Senate

Present law authorizes an income and corporation franchise tax credit for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development district or a cultural district. The amount of the credit is 20% of the eligible costs and expenses of the rehabilitation incurred before Jan. 1, 2022, and no taxpayer shall claim more than $5 million of credit annually for any number of structures rehabilitated within a particular downtown development or cultural district. The credit is effective for taxable years ending prior to Jan. 1, 2022.

Proposed law retains present law but extends the date for which eligible expenses can qualify for the tax credit from costs and expenses incurred prior to Jan. 1, 2022, to costs and expenses incurred prior to July 1, 2026, and extends the effectiveness of the program from taxable years ending prior to Jan. 1, 2022, to fiscal years ending prior to July 1, 2026.

Proposed law establishes an annual program cap on the amount of credits that may be granted equal to the greater of $120 million or the amount specifically appropriated for the credit, but only for projects that submit their completed tax credit application Part 2-Proposed Work Description to the state historic preservation office on or after Jan. 1, 2021. If the total allowable credits are not granted within a fiscal year, the excess amount of the cap will roll over to the subsequent year.

Proposed law establishes an annual fiscal year credit claim cap on the amount of state income and corporation franchise tax credits allowed on returns for La. Historic Rehabilitation Commercial Tax Credit Application Part 3 - Request for Project Certifications submitted on or after July 1, 2020, as follows:

(1) For FY21, an aggregate total of $75M.

(2) For FY22, an aggregate total of the greater of $85M or the amount appropriated pursuant to proposed law each fiscal year.

(3) For FY23, an aggregate total of the greater of $100M or the amount appropriated pursuant to proposed law each fiscal year.

(4) For FY24 and thereafter, there shall be no credit claim cap.

Proposed law provides that if less than the fiscal year credit claim cap is claimed in a fiscal year, the remaining amount, plus any amounts remaining from previous fiscal years, shall be added to fiscal year credit claim cap of subsequent fiscal years until that amount of tax credits are claimed.

Proposed law provides that claims for tax credits shall be allowed on a first-come, first-served basis. Any taxpayer whose claim for tax credits is disallowed because the fiscal year cap has been reached may use the tax credits against state income or corporation franchise tax due on an original return filed in the next fiscal year, and his claim shall have priority over other claims filed after the date of his original claim.

Proposed law provides for 20% of eligible costs and expenses incurred as compared to estimated costs and expenses as set forth in the Part 2-Proposed Work Description for the historic structure. If actual costs exceed 125% of the estimated Part 2 costs, the credit will be calculated using 125% of estimated costs instead of actual costs. If actual costs are less than 75% of estimated costs, no credit shall be granted.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:6019(A)(1)(a) and (C); Adds R.S. 47:6019(A)(1)(e) and (f))