TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1046 - SB 1000

March 20, 2023

SUMMARY OF BILL AS AMENDED (006168): Creates the *Tennessee Rural and Workforce Housing Act*. Authorizes the owner of a qualified project to claim a tax credit (credit) against a taxpayer liability for a state fee, premium, tax or other charge in an amount not to exceed the federal housing tax credit for which the qualified project received. Defines a qualified project as a low-income building located in this state and placed in service after January 1, 2025, that receives a federal housing tax credit allocation from the Tennessee Housing Development Agency (THDA). Authorizes the credit to be allocated among partners, members, or shareholders of the business entity or association owning a qualified project regardless of whether such business entities or associations are allocated or allowed any portion of the federal housing tax credit with respect to the qualified project.

Prohibits the credit amount from exceeding the amount of the taxpayer's liability. Authorizes any unused tax credit to be carried forward to the taxpayer's next five years of liability, but prohibits the credit from applying against prior tax years. Requires the credit amount allocated to such owners of a qualified project to equal the proportion the taxpayer received for the federal housing tax credit. Prohibits the total credit amount allocated in any fiscal year from exceeding $17,000,000 plus the total of all unallocated credits, if any, for any preceding years, and the total amount of any previously allocated tax credits that have been recaptured, revoked, canceled, or otherwise recovered but not otherwise reallocated. Requires THDA to create rules and operate the new credit program and requires the THDA to allocate the credit to promote the highest value for greatest public benefit, provided that at least 50 percent of the credits are allocated to qualified projects in an eligible rural area as designated by the United States Department of Agriculture.

FISCAL IMPACT OF BILL AS AMENDED:

Increase State Expenditures – $78,500/FY24-25 and Subsequent Years

Decrease State Revenue – $17,000,000/FY24-25 and Subsequent Years

Assumptions:

- Due to projects being required to be in service by January 1, 2025, it is assumed that the first year impacted will be FY24-25. It is further assumed that FY24-25 will be a full year impact as taxpayers will be able to claim credits for tax year 2024 in FY24-25.

- Based on information provided by the THDA, the proposed legislation cannot be accommodated within existing resources. The THDA will require one additional position to manage and operate the program.
- The recurring increase in state expenditures associated with the positions is estimated to be $78,460 [($61,000 salary + $17,460 benefits) x 1 position] in FY24-25 subsequent years.
- The proposed legislation requires the total amount of credits issued to not exceed $17,000,000 plus the total of all unallocated tax credits for any preceding years and the total amount of any previously allocated tax credits that have been recaptured, revoked, canceled, or otherwise recovered but not otherwise reallocated.
- The total recurring decrease in state revenue, beginning in FY24-25, is estimated to be $17,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

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