

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>01-3963/3</b>	<b>Introduction Number</b> <b>AB-840</b>			
<b>Subject</b> Historic buildings rehabilitation tax credits				
<b>Fiscal Effect</b>				
<b>State:</b>				
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs  <b>Local:</b>				
<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs                      3. <input type="checkbox"/> Increase Revenue                      5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs                      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts  <b>Fund Sources Affected</b> <span style="float: right;"><b>Affected Ch. 20 Appropriations</b></span>				
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS  <table style="width: 100%; border: none;"> <tr> <td style="width: 40%; padding: 5px;"><b>Agency/Prepared By</b> DOR/ Pamela Walgren (608) 266-7817</td> <td style="width: 40%; padding: 5px;"><b>Authorized Signature</b> Brian Pahnke (608) 266-2700</td> <td style="width: 20%; padding: 5px;"><b>Date</b> 3/6/02</td> </tr> </table>		<b>Agency/Prepared By</b> DOR/ Pamela Walgren (608) 266-7817	<b>Authorized Signature</b> Brian Pahnke (608) 266-2700	<b>Date</b> 3/6/02
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**Fiscal Estimate Narratives**  
**DOR 3/7/02**

LRB Number <b>01-3963/3</b>	Introduction Number <b>AB-840</b>	Estimate Type <b>Original</b>
<b>Subject</b> Historic buildings rehabilitation tax credits		

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, two nonrefundable credits are provided to encourage the rehabilitation of historic buildings in Wisconsin: a supplement to the federal historic rehabilitation credit for commercial properties and a state credit for non-commercial properties.

The supplement to the federal historic rehabilitation credit, equal to 5% of qualified rehabilitation expenditures, can be claimed for projects that are eligible for the federal credit to substantially rehabilitate certified historic buildings for use in a trade or business. The credit is patterned after the federal 20% credit for commercial rehabilitation of historic buildings. Claimants must submit evidence to the Department that the rehabilitation work was approved by the Secretary of the Interior before construction began. The rehabilitation work must meet historic preservation standards and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit can be carried forward for up to 15 years.

The state historic rehabilitation credit is equal to 25% of qualified expenditures to substantially rehabilitate certified historic buildings for owner-occupied personal residences not used in the course of a trade or business. The rehabilitation work must meet historic preservation standards and the expenditures must exceed \$10,000. The maximum credit amount is \$10,000 (\$5,000 for married persons filing separately). Unused amounts of credit can be carried forward for up to 15 years.

The bill would increase the amount of the supplement to the federal credit for rehabilitation of commercial properties from 5% to 20% of qualified expenditures. Persons who are not eligible for the federal credit because qualified rehabilitation expenditures do not satisfy the adjusted basis requirement may claim the state credit if qualified expenses are at least \$10,000 and the project is recommended for approval by the state historic preservation officer before physical work on the project begins. Claimants must submit evidence to the Department of Revenue that the project was recommended to the Secretary of the Interior for approval by the state historic preservation officer before construction began. Persons who are not residents of the state and not required to file tax returns in the state, but who have incurred qualified expenses, may enter into an agreement, subject to the Department of Revenue's approval, so that another person may claim the credit.

The bill would increase the owner-occupied residential credit from 25% to 30%.

Based on simulations done on the individual and corporate income tax samples, the estimated revenue loss from the bill is \$2.5 million (\$400,000 in individual income tax revenues and \$2.1 million in corporate income tax revenues).

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number 01-3963/3</b>		<b>Introduction Number AB-840</b>	
<b>Subject</b>			
Historic buildings rehabilitation tax credits			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$-2,500,000	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-2,500,000</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$-2,500,000	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Pamela Walgren (608) 266-7817		Brian Pahnke (608) 266-2700	3/6/02