

Fiscal Estimate - 2009 Session

Original Updated Corrected Supplemental

LRB Number 09-1706/1		Introduction Number AB-0092	
Description			
The regulation, preservation, and restoration of historic buildings; the supplement to the federal historic rehabilitation tax credit and the state historic rehabilitation tax credit; requiring the certification of downtowns; promoting certain downtown areas in this state; highway projects involving business and downtown areas; granting rule-making authority; and making appropriations			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues	
<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> Decrease Costs			
Local:			
<input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<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	
Fund Sources Affected		Affected Ch. 20 Appropriations	
Agency/Prepared By		Authorized Signature	
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	
		Date	
		3/17/2009	

Fiscal Estimate Narratives

DOR 3/17/2009

LRB Number 09-1706/1	Introduction Number AB-0092	Estimate Type Original
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Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

Two nonrefundable credits are currently available 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 of Revenue 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.

DESCRIPTION OF THE BILL

Beginning in tax year 2010, the bill increases the amount of the supplemental state credit from 5% to 20% for rehabilitated property located in the state. The claimant must have approval for the rehabilitation from the State Historical Society.

Additionally, individuals who are not eligible for the federal historic rehabilitation credit because qualified rehabilitation expenditures do not satisfy the adjusted basis requirement will be allowed to claim the supplemental state credit in an amount equal to 20% of qualified expenses if the following conditions are met: 1) the rehabilitated property is located in the state, 2) the qualified expenses are at least \$10,000, 3) the project is certified by the State Historical Society before construction begins, and 4) construction begins after December 31, 2009. Claimants must claim the credit for the same taxable year as the credit would have been claimed for federal purposes.

If the property owner is a nonresident of Wisconsin who is not required to file an income tax return, the bill allows the owner to enter into an agreement with another person so that the other person may claim the supplemental state credit. The agreement requires approval from the Department of Revenue.

All or a portion of the supplemental credit must be paid back to the state if the property is sold or conveyed or the State Historical Society determines that the property has been altered to the extent that it does not comply with the standards for rehabilitation.

Beginning in tax year 2010, the bill also increases the state credit rate for owner-occupied residences from 25% to 30% provided that the rehabilitated property is located in the state and the claimant has approval for the rehabilitation from the State Historical Society.

FISCAL ESTIMATE

Based on simulations using tax year 2005 returns for taxpayers who claimed the two historic credits, and assuming growth in participation based on historic trends, the provisions of the bill relating to increasing the percentages of expenditures that are eligible to be claimed would result in a revenue loss of an estimated \$660,000 annually.

Data are not available to estimate the number of potential federal historic rehabilitation credit claimants who do not meet the adjusted basis requirement. Additionally, the credits are designed to promote historic rehabilitation, but data are also not available to estimate the increased participation that would result from increasing the credit rates. It is anticipated that these provisions would increase the revenue loss above the \$660,000 a year referenced above, but the extent to which they would increase the revenue loss is not able to be estimated.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
DOR/ Michael Oakleaf (608) 261-5173		Rebecca Boldt (608) 266-6785	3/17/2009