NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1393 (First Edition)

SHORT TITLE: Modify Historic Rehabilitation Credit

SPONSOR(S): Senator Horton, et al.

FISCAL IMPACT

Yes ( ) **No (X)** **No Estimate Available ( )**

	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03
REVENUES					

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Cultural Resources - State Historic Preservation Office

EFFECTIVE DATE: This act is effective for taxable years beginning on or after January 1, 1998.

BILL SUMMARY: The bill extends the historic rehabilitation tax credit to the gross premiums tax and allows the tax to be allocated by a pass-through entity to its owners.

ASSUMPTIONS AND METHODOLOGY: The fiscal estimate for SB 323, the 1997 legislation that increased the state historic rehab tax credit from 5% to 20% for income producing projects, was based on the number of taxpayers eligible for the federal rehabilitation tax credit. Since the federal rehab credit is available to insurance companies and allows for the pass through of credits to investors, this bill conforms state credit eligibility standards to the federal.

I. Premiums Tax - Insurance companies are eligible for the federal rehab credit by being subject to the federal corporate income tax. However, insurance companies in North Carolina not eligible for the North Carolina rehab credit because the credit is applied only against the state corporate income tax and not the gross premiums tax paid by insurers. (N.C. insurers are exempt from the income tax if they pay the gross premiums tax.) Both the gross premiums tax and the corporate income tax are General Fund revenues. The General Fund revenue loss was accounted for in the 1997 legislation.

II. Pass - Through Entity - The 1997 fiscal estimate for the state rehab credit assumed that taxpayers applying for the credit would use 100% of the credit amount over five years.

Whether the credit applicant uses the credit or passes it on to his or her investors does not increase the anticipated cost of the program. Again, the cost of the program was based on the number of taxpayers eligible for the federal rehabilitation tax credit. The agency charged with administering this credit program, the Department of Cultural Resources, anticipates no “appreciable expansion of the number of projects or expenditures eligible for the credit.” (Jeffrey Crow - Director of Division of Archives and History). The Executive Director of the Historic Preservation Foundation of North Carolina, Myrick Howard, sees the pass - through issue as a technical correction.

FISCAL RESEARCH DIVISION
733-4910
PREPARED BY: Richard Bostic
APPROVED BY: Tom Covington
DATE: June 4, 1998

Official Fiscal Research Division Publication

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