

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7289
BILL NUMBER: HB 1267

DATE PREPARED: Dec 30, 1998
BILL AMENDED:

SUBJECT: Neighborhood Assistance tax credits.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(1,000,000)	(1,000,000)
State Expenditures			
Net Increase (Decrease)		(1,000,000)	(1,000,000)

Summary of Legislation: This bill increases the maximum amount of Neighborhood Assistance tax credits that may be given statewide during a state fiscal year from \$2,500,000 to \$3,500,000.

Effective Date: July 1, 1999.

Explanation of State Expenditures: The Neighborhood Assistance Program (NAP) is administered by the Department of Commerce. The Department would not incur a significant increase in administrative costs a result of this proposal.

Explanation of State Revenues: *Direct Impact:* NAP tax credits are awarded via non-profit organizations to taxpayers contributing to various community projects in economically disadvantaged areas. Businesses investing in NAP projects can receive a credit against their state tax liability equal to 50% of their contribution, although a single taxpayer cannot receive more than \$25,000 in credits each taxable year. The credit can be applied to the gross income tax, the adjusted gross income tax, or the supplemental net income tax. The total amount of credits that may be awarded is currently capped at \$2,500,000. This bill would increase the maximum amount available each fiscal year to \$3,500,000 beginning in FY 2000.

This bill could decrease annual state revenues by a maximum amount of \$1,000,000. In past years, requests

for NAP credits have typically exceeded the cap. The Department of Commerce received requests for a total of \$3,907,491 in credits for FY 1998 (\$1,407,491 more than the current cap).

Income tax revenue is deposited in the state General Fund and Property Tax Replacement Fund.

Secondary Impact: If the additional NAP credits help develop community projects that would not have otherwise occurred, the state should experience some indirect positive impacts. Additional jobs could be created, increasing revenue from the income tax and taxes generated by the employees' purchases. These projects may also help relieve the state's unemployment and welfare burdens.

Explanation of Local Expenditures:

Explanation of Local Revenues: If the additional credits result in community projects that would not have taken place without the cap increase, local entities should also experience secondary positive impacts. Many local units would benefit from increased property tax revenue from new housing, and counties with local option income should benefit from greater employment.

State Agencies Affected: Department of Commerce.

Local Agencies Affected: Local units where NAP credits are given.

Information Sources: Carey Craig, Division of Research, Department of Commerce, (317) 232-8816.