

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

301 State House
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FISCAL IMPACT STATEMENT

LS 7075
BILL NUMBER: SB 344

DATE PREPARED: Jan 2, 2000
BILL AMENDED:

SUBJECT: Economic development.

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FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes the Local Economic Development Organization Grant Fund as a nonreverting fund for the purpose of providing local economic development organization grants. It provides that the grants may also be used by an eligible organization to assist in operations related to the provision of housing or the rehabilitation of housing. The bill also provides that the Historic Rehabilitation Tax Credit may also be taken against a taxpayer's Financial Institutions Tax liability.

Effective Date: July 1, 2000; January 1, 2001.

Explanation of State Revenues: *Local Economic Development Organization Grant Fund:* This bill establishes the Local Economic Development Organization (or LEDO/REDO) Grant Fund and makes it a nonreverting fund. In FY 1999, the IDOC reverted almost \$473,000 to the state General Fund for the LEDO/REDO Matching Grant Program. The bill also requires that on July 1, 2000, any amount appropriated to the LEDO/REDO Grant Program by P.L. 273-1999 that has not been allotted would be transferred to the new Grant Fund. A \$2 M General Fund appropriation was made to the Indiana Department of Commerce (IDOC) for the LEDO/REDO Program in the FY 1999-2001 biennium. Of this \$2 M, only about \$10,000 has not been allotted as of December 1999.

This proposal also allows LEDO/REDO grants to be made for the provision or rehabilitation of housing. Under current law, these grants may be used only for the operation and economic development efforts of local or regional economic development organizations, urban enterprise associations, not-for-profit groups, and other similar organizations. Expanding the possible uses of LEDO/REDO grants may not necessarily have a fiscal impact, however, if funds were for housing then less may be available for other projects.

Historic Rehabilitation Tax Credit: This bill would allow Historic Rehabilitation Tax Credits to be taken against Financial Institutions Tax (FIT) liability. This tax credit program is administered by the Department of Revenue and the Division of Historic Preservation and Archaeology of the Department of Natural

Resources (DNR). Credits are awarded to individuals or businesses spending more than \$10,000 to preserve or rehabilitate historic property. Credits are equal to 20% of the qualified expenditures as approved by the Division, and may currently be taken against the recipient's state income tax liability, including the Gross Income Tax, the Adjusted Gross Income Tax, or the Supplemental Net Income Tax.

Revenue from these taxes is deposited in the General Fund and the Property Tax Replacement Fund. FIT revenue is distributed to local units (the amount distributed to each unit is determined by formula) and remaining revenue is deposited in the General Fund. Local units receive a guaranteed amount, so any additional credits taken against FIT liability would reduce General Fund revenue.

The amount of Historic Rehabilitation Tax credits that may be granted each year is currently capped at \$450,000, and the total amount of qualified credits exceeds the cap annually. According to the Division of Historic Preservation, about 37 Historic Rehabilitation Tax Credit applications are received in an average year. However, there is typically only enough funding available under the cap each year to grant one out of every six applicants the credits they are qualified for. The remaining applications are placed on a waiting list for funding in future years. The Division reports that if no further applications were received, the total amount of qualified applications on the waiting list would be sufficient to receive credits beyond FY 2004.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Department of Commerce.

Local Agencies Affected: Organizations receiving LEDO/REDO grants.

Information Sources: Leslie Richardson, Director, Division of Research, Indiana Department of Commerce, (317) 232-8962; State Budget Agency.