

Department of Finance and Administration

Legislative Impact Statement

Bill: SB696

Bill Subtitle: TO AMEND THE LAW PERTAINING TO THE ARKANSAS HISTORIC REHABILITATION INCOME TAX CREDIT.

Basic Change : Sponsor: Senator Rice

The bill amends the Arkansas Historic Rehabilitation Income Tax Credit Act by increasing the amount of credit that may be earned. To earn the income tax credit, the taxpayer must be approved and invest in a historic property as approved Arkansas Department of Heritage. The earned income tax credit may be sold to other taxpayers and used against state income tax or the state insurance premium tax. Under current law the credit is equal to 25% on the first \$500,000 of expenses on income-producing property and the first \$100,000 for non-income-producing property. The proposal increases the amount of eligible expenses to the first \$800,000 on income-producing property and \$200,000 for non-income producing property. The bill also increases the maximum amount of credits that can be issued to all taxpayers in any one fiscal year from \$4,000,000 to \$6,000,000. The Act will become effective for tax years beginning on or after January 1, 2015.

Revenue Impact :

Maximum Revenue Loss of \$2,000,000 per year.

[Based on the maximum credit increase from \$4M to \$6M]

Taxpayer Impact :

Taxpayers will be eligible for larger credits for qualified rehabilitation expenses.

Resources Required :

None.

Time Required :

Adequate time is allowed in the proposal.

Procedural Changes :

Education of staff on the change in the law.

Legal Analysis :

SB696 increases the Arkansas historic rehabilitation income tax credit from \$500,000 to \$800,000 for income-producing properties, and from \$100,000 to \$200,000 for non-income producing properties. Also, the total rehabilitation income tax credit that may be issued by the Department of Arkansas Heritage per fiscal year is raised from \$4,000,000 to \$6,000,000. This bill is effective for tax years beginning on or after January 1, 2015.