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**HF 2453** – Cultural Affairs Tax Credit Programs (LSB 5303HZ.1)  
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Fiscal Note Version – As amended and passed by the Senate

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### **Description**

**House File 2453**, as amended and passed by the Senate, makes revisions to Iowa's existing Historic Preservation and Cultural and Entertainment District Tax Credit. The Bill allows unclaimed credits to be awarded to different projects and makes changes to the process of reserving tax credits for qualified projects. The Bill does not modify the existing \$45.0 million annual limit on tax credit awards.

This Bill is effective July 1, 2014, and applies to project agreements entered into on or after that date, unless otherwise specified in this Bill.

### **Background**

The Historic Preservation and Cultural and Entertainment District Tax Credit Program is authorized in **Iowa Code chapter 404A**. That Iowa Code chapter was created in HF 2560 (Income and Property Tax Credit, Deduction, and Exemption Act of 2000) and the initial annual limit on tax credit awards was \$2.4 million. The Program's purpose and financing has been modified since that time and the current annual limit on tax credit awards is \$45.0 million. The most recent **Contingent Liabilities Report** produced by the Iowa Department of Revenue projects that under current law, FY 2014 tax credit redemptions under the Program will total \$37.7 million and increase to \$44.0 million in FY 2018.

**Iowa Code section 404A.4(4)(b)(1)** requires 10.0% of annual awards to be reserved for projects with qualified rehabilitation costs of \$750,000 or less. A 10.0% allocation of tax credits for smaller projects was first enacted in SF 566 (Historic Preservation Tax Credit Act of 2007). Over the years, the Department of Cultural Affairs has not received sufficient project applications to fully award the full 10.0% for smaller projects.

### **Assumptions**

- At the conclusion of FY 2014, the pool of unused tax credits from the 10.0% set-aside for smaller projects will total \$8.6 million.
- Under authority granted in this Bill, the unused pool will be awarded to new projects during FY 2015 and FY 2016. Without this authority, the unused smaller project tax credits are assumed to never be used.

### **Fiscal Impact**

The portion of this Bill that allows unused smaller project tax credits to be redirected to other projects is projected to result in the redemption of an additional \$8.6 million in tax credits over the next nine fiscal years. The projected net General Fund impact of this change by fiscal year is:

<b>Historic Tax Credits</b> <b>Smaller Project Reallocation</b> In millions		
	General Fund Revenue Reduction	
FY 2015	\$	-1.3
FY 2016		-2.9
FY 2017		-2.1
FY 2018		-1.0
FY 2019		-0.6
FY 2020		-0.2
FY 2021		-0.2
FY 2022		-0.2
FY 2023		-0.1
Total	\$	-8.6

After FY 2023, this Bill does not have an identifiable direct fiscal impact.

**Sources**

Department of Revenue  
 Department of Cultural Affairs

/s/ Holly M. Lyons

April 23, 2014

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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