

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. House Bill 645

PRINTER NO. 4148

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

February 28, 2017

PRIME SPONSOR

Representative B. O'Neill

DESCRIPTION AND PURPOSE OF BILL

House Bill 645 amends the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, by increasing the allowable amount of Neighborhood Assistance Tax Credits granted in any fiscal year. The legislation also provides for a program reporting requirement.

House Bill 645 amends section 1904-A (Tax Credit) and section 1905-A (Grant of Tax Credit) by increasing the total amount of tax credits allowed to be granted for programs approved under Article XIX-A of the Tax Reform Code of 1971. Allowable tax credits increase from \$18 million to \$36 million in any fiscal year. In addition, House Bill 645 includes a new subsection 1905-A(b) that is intended to preserve the separate components and pass-through entity set-aside of the program as specified in current statute by prohibiting additional tax credit components and set-asides in the future.

The legislation adds new section 1908-A which requires the Department of Community and Economic Development (DCED) to issue a report within 12 months of the effective date of the legislation and each five years thereafter. The report shall include a funding evaluation of the Neighborhood Assistance Program and recommendations for the tax credit program. Such recommendations must include ways DCED can interact with and promote the inclusion of community organizations that have not previously been included in projects receiving tax credits. The report must be submitted to the majority and minority chairs of the Senate and House Finance Committees.

The Neighborhood Assistance Tax Credit Program is designed to encourage investment by business firms in neighborhoods in need of revitalization or stabilization. Eligible neighborhood non-profits (applicants) apply for tax credits based on pending contributions from for-profit companies (contributors). Eligible projects are those that promote goals such as affordable housing, neighborhood conservation, crime prevention, job training and charitable food assistance.

This act shall take effect July 1, 2019.

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FISCAL IMPACT:

House Bill 645 increases the fiscal year limitation, or cap, of Neighborhood Assistance Tax Credits by \$18 million, from \$18 million to \$36 million. The tax credits are used to offset liabilities for taxes that would otherwise be deposited into the General Fund. To the extent that the increase in available tax credits is fully utilized as a result of additional demand, the legislation will result in the loss of General Fund revenues of up to \$18 million per fiscal year.

House Bill 645 was amended in the Senate Finance Committee to make the legislation effective July 1, 2019. Consequently, House Bill 645 will have no fiscal impact in the current fiscal year, and the revenue impact will be delayed until fiscal year 2019-20 and thereafter.

The Department of Community and Economic Development has provided information regarding the total dollar amount associated with applications for the Neighborhood Assistance Tax Credit for six fiscal years. The following data shows that the demand for the tax credit exceeds the current \$18 million cap:

- Fiscal Year 2013-14 - \$21.4 million
- Fiscal Year 2014-15 - \$27.6 million
- Fiscal Year 2015-16 - \$26.3 million
- Fiscal Year 2016-17 - \$36.2 million
- Fiscal Year 2017-18 - \$31.2 million
- Fiscal Year 2018-19 - \$30.6 million