



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

<b>Bill information:</b>	
HB0857 - Provide income tax credit for sprinkler systems in historic buildings (Fitzpatrick, John )	
<b>Status:</b>	As Introduced

<input type="checkbox"/> Significant Local Gov Impact	<input type="checkbox"/> Needs to be included in HB 2	<input type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts	<input type="checkbox"/> Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$94,651	\$93,013	\$94,253
<b>Revenue:</b>				
General Fund	\$0	(\$1,350,000)	(\$1,800,000)	(\$1,800,000)
<b>Net Impact-General Fund Balance:</b>	\$0	(\$1,444,651)	(\$1,893,013)	(\$1,894,253)

**Description of fiscal impact:** HB 857 creates a personal and corporate income tax credit for the installation of a pressurized sprinkler system in a historical building.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

1. HB 857 creates a personal and corporate income tax credit for the installation of a pressurized sprinkler system in a historical building that is being remodeled or repurposed for residential or commercial use. The credit is equal to 30% of the installed cost of a pressurized sprinkler system. The credit must be claimed in the year the installation expenses were incurred. The credit is non-refundable but can be carried forward for two years.
2. The maximum number of credits that can be claimed is \$10 million each year.
3. To qualify, a building must be “listed in the national register of historic places, located in a registered historic district, and certified by the secretary of the interior as contributing to the historic significance of the district, or was constructed prior to 1950.”
4. The credit is available starting TY 2024 and continues through TY 2028.
5. It is assumed that the average cost of installing a pressurized sprinkler system in a historic building will cost \$200,000 on average each year.
6. It is assumed that 30 pressurized sprinkler systems will be installed in a qualified building each tax year.

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(continued)


7. With an average cost of \$200,000, and 30 systems installed each year, it is assumed that \$6,000,000 will be spent each year on qualified projects.
8. With a 30% credit rate, and \$6,000,000 in qualified projects each year, it is assumed that \$1,800,000 in credits will be claimed each tax year.
9. It is assumed that 75% of the credit will be claimed the first year the taxpayer claims the credit, while the remaining 25% will be claimed the following tax year.
10. With \$1,800,000 in total credits, and 75% of the credit claimed the first year and 25% claimed the following year, the proposed bill will reduce general fund revenue by \$1,350,000 in FY 2025, and \$1,800,000 in FY 2026 and FY 2027.

*DOR Administrative Costs*

11. The Department of Revenue will require 1.00 FTE Tax Examiner to administer the credit starting FY 2025. The cost of the FTE is \$94,651 in FY 2025, \$93,013 in FY 2026 and \$94,253 in FY 2027.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>
<b>Department of Revenue</b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>FTE</b>	0.00	1.00	1.00	1.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$83,096	\$84,153	\$85,225
Operating Expenses	\$0	\$8,397	\$8,860	\$9,028
Equipment	\$0	\$3,158	\$0	\$0
<b>TOTAL Expenditures</b>	<b><u>\$0</u></b>	<b><u>\$94,651</u></b>	<b><u>\$93,013</u></b>	<b><u>\$94,253</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$94,651	\$93,013	\$94,253
<b>TOTAL Funding of Exp.</b>	<b><u>\$0</u></b>	<b><u>\$94,651</u></b>	<b><u>\$93,013</u></b>	<b><u>\$94,253</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	(\$1,350,000)	(\$1,800,000)	(\$1,800,000)
<b>TOTAL Revenues</b>	<b><u>\$0</u></b>	<b><u>(\$1,350,000)</u></b>	<b><u>(\$1,800,000)</u></b>	<b><u>(\$1,800,000)</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	(\$1,444,651)	(\$1,893,013)	(\$1,894,253)

**NOT SIGNED BY SPONSOR**

_____ <i>Sponsor's Initials</i>	_____ <i>Date</i>	 _____ <i>Budget Director's Initials</i>	<u>3-28-23</u> _____ <i>Date</i>
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