

HB 197 -- TAX CREDITS FOR DISTRESSED COMMUNITIES

CO-SPONSORS: Johnson (47), Pratt, Yates, Skaggs, LeVota, Dempsey, Wright

COMMITTEE ACTION: Voted "do pass" by the Committee on Job Creation and Economic Development by a vote of 18 to 0 with 1 present.

Relating to the Rebuilding Communities and Neighborhood Preservation Act, this bill:

(1) Expands the definition of "eligible residence" to include condominiums, entire apartment buildings, or single apartments within an apartment building;

(2) Expands the definition of "new residence" to include condominiums, owner-occupied units or units intended to be owner-occupied in an apartment building, and separate, adjacent single-family units even when these types of units are not located in a distressed community;

(3) Expands the definition of "project" to include the new construction, rehabilitation, or substantial rehabilitation of multiple residences, whether comprised of one structure containing multiple single-family residences (e.g., an apartment building) or multiple individual structures (e.g., townhouses or individual homes), in addition to single residences;

(4) Increases the tax credit amount from 15% to 20% for eligible costs associated with a new residence in a distressed community or within a census block group or for multiple unit condominiums. The bill does not change the dollar value of the tax credit, which cannot exceed \$40,000 per new residence in any 10-year period;

(5) Limits the tax credits available for the rehabilitation and construction of residences in distressed communities and census blocks to \$1.5 million per project for those commenced after August 28, 2003. Under current law, of the \$16 million in community improvement tax credits allowed, \$8 million are to be allocated for "eligible residence" programs and \$8 million for "qualifying residence" programs. The bill states that if, by October 1 of the calendar year, the Director of the Department of Economic Development has issued all \$8 million of the credits allowed for one of these programs and has not issued the entire \$8 million allowance for the other program, the director is required to reallocate 70% of any unused tax credits from the program which has not reached its \$8 million cap to the one which has. The reallocated credits will be given to taxpayers who have

applied for, but have not received, tax credits in that same year and who are engaged in projects in the area where the tax credit cap has been met for that same year. The maximum reallocated tax credit for any project may not exceed \$500,000; and

(6) Allows one application for tax credits to be submitted to the department for preliminary approval in the case of projects involving the new construction, rehabilitation, or substantial rehabilitation of more than one residence. Tax credits will be awarded upon final approval of an application and presentation of acceptable proof that substantial construction of each individual residence has been completed, rather than delaying issuance of the tax credits until the entire project is substantially complete.

Relating to tax credits for investment in or relocating a business to a distressed community, the bill:

(1) Reduces the population requirement for a United States census block group or contiguous group of block groups within a metropolitan statistical area from 2,500 to 500 for an area to be a "distressed community"; and

(2) Expands the definition of a "distressed community" to include areas within metropolitan statistical areas that are designated as either a federal empowerment zone, a federal enhanced enterprise community, or state enterprise zones designated prior to January 1, 1986, but will not include the expansion of those zones done after March 16, 1988.

FISCAL NOTE: Estimated Net Cost to the General Revenue Fund in FY 2004, FY 2005, and FY 2006 will be minimal.

PROPOSERS: Supporters say that this is a good bill because it expands the use of tax credits for rehabilitation, housing, and businesses in distressed communities by allowing more communities to qualify for these incentives. Currently, the distressed community criteria heavily favor St. Louis City. Kansas City and the rest of the state do not have the same opportunities. St. Louis City receives the vast majority of tax credit money available from the eight programs which rely on the "distressed community" definition. The bill allows more areas of the state to utilize these tax credits.

Testifying for the bill were Representative Johnson (47); Economic Development Corporation of Kansas City; and Greater Kansas City Chamber of Commerce.

OPPOSERS: There was no opposition voiced to the committee.

Alice Hurley, Legislative Analyst