

**FISCAL NOTE**  
**SENATE BILL NO. 2391**  
**LC# 23.1121.02000**  
**02/03/2023**

**1 - State Fiscal Effect**

*Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2021-2023 Biennium		2023-2025 Biennium		2025-2027 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

**2 - County, City, School District, and Township Fiscal Effect**

*Identify the fiscal effect on the appropriate political subdivision.*

	2021-2023 Biennium	2023-2025 Biennium	2025-2027 Biennium
Counties			
Cities			
School Districts			
Townships			

**3 - Bill and Fiscal Impact Summary**

*Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2391 expands the income and property tax incentives related to renaissance zones.

**4 - Fiscal Impact Sections Detail**

*Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of engrossed SB 2391 increases the repair or remodeling of a building at a cost that is equal to or exceeds 75% of the current true and full value for commercial buildings, up from 50%.

Section 2 of engrossed SB 2391 extends the duration of a renaissance zone status in increments of up to ten years instead of five years. The proposed renaissance zone may have up to two exceptions instead of a single exception to the continuous boundary and contiguous block requirements if the areas of the excepted noncontiguous blocks

do not exceed three square blocks each. It also allows a parcel of property to be exempted from property taxes more than once.

Section 3 of engrossed SB 2391 allows individuals who purchase or rehabilitates single-family residential property for the individual's primary place of residence to exempt up to \$10,000 of personal income tax liability for up to 8 years instead of 5 years, beginning with the date of purchase, lease, or completion of rehabilitation.

A taxpayer that purchases, leases, rehabilitates, or makes leasehold improvements to residential, public utility infrastructure, or commercial property for any business or investment purpose as a zone project is exempt from tax on income derived from the business or investment locations within the zone for up to 8 years instead of 5 years, beginning with the date of purchase, lease, or completion of rehabilitation.

Section 4 of engrossed SB 2391 will extend a partial or complete exemption from ad valorem taxation on single-family residential property, exclusive of the land on which it is situated if the property was purchased or rehabilitated by an individual for the individual's primary place of residence as a zone project from 5 years to 8 years. The same change from 5 years to 8 years would also apply for buildings, structures, fixtures, and improvements purchased or rehabilitated as a zone project for any business or investment purpose.

Section 5 of engrossed SB 2391 adds a provision to the renaissance fund organization that if the total amount of credits allowed under this section have been claimed, the renaissance fund organization allowance must terminate, and additional credits may not be made available for investments in a renaissance fund organization.

## **5 - Revenues Detail**

*For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, section 3 of engrossed SB 2391 may create a decrease in the general fund by allowing taxpayers additional time to claim the renaissance zone fund income exemption. The reduction in revenue is dependent on several undetermined factors. This includes the cities' actions to establish neighborhood zones, the level and type of investment activity in those zones, the number of taxpayers that claim the exemptions and credits, and finally, the taxpayers' liabilities.

Due to these factors, the Office of State Tax Commissioner is unable to provide a reliable estimate for this revenue reduction amount.

## **6 - Expenditures Detail**

*For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

## **7 - Appropriations Detail**

*For information shown under state fiscal effect in 1 or 2, please explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

## **Contact Information**

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