

SESSION OF 2007

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR SENATE BILL NO. 331**

As Recommended by Senate Committee on
Assessment and Taxation

Brief*

Sub. for SB 331 would expand an existing income tax credit program for certain expenditures associated with qualified historic structures; enact an alternative tax credit program for certain contributions to state-owned historic sites or not-for-profit organizations owning and operating such sites; authorize the State Historical Society to develop a program of competitive grants for partnership historic sites; and increase the mortgage registration fee from 0.26 to 0.27 percent of principal debt, with the new monies primarily earmarked for deposit in a new fund, the Partnership Historic Sites Grant Fund (PHSGF).

The historic preservation income tax credit available under current law would be increased from 25 to 35 percent beginning in tax year 2007 for those qualified expenditures incurred in the restoration and preservation of qualified historic structures which are not income producing and are exempt from federal income taxation pursuant to section 501(c)(3) of the federal Internal Revenue Code.

A new tax credit would be provided effective for tax year 2007 equal to 50 percent of certain gifts, contributions, or donations to state-owned historic sites or not-for-profit organizations owning and operating such sites, including funds contributed for the establishment or maintenance of an endowment to provide for the future stability of such sites. Certain in-kind contributions, gifts, and donations could qualify (in addition to monetary contributions) to the extent that they

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

have an established marked value. The minimum contribution to qualify for the credit, which could be claimed against the income, privilege, or premiums tax, would be \$1,000. The maximum amount of the credit also could not exceed \$2,500 for any one taxpayer in any taxable year. The credits would be non-refundable and could not be carried forward. The maximum amount of credits also could not exceed \$100,000 statewide in any fiscal year. Any contribution qualifying for this new credit would be prohibited from also counting as a qualified expenditure for purposes of the historic preservation credit provided in KSA 79-32,211.

Another section of the bill would authorize the State Historical Society to develop a competitive grant program to award to partnership historic sites. To be eligible for any such grants, partnership historic sites would be required to be listed on the national or state register of historic places; be owned or operated by a not-for-profit organization; not receive any other state funding for operations; develop and submit a business plan; be open to the public or have the potential to be open to the public for at least 500 hours per year; be owned and operated for the purpose of educating the public about a specific historical aspect; provide a 50 percent match for funds which are not state or federal moneys; and abide by all federal, state, and local laws. Any grants awarded would be required to be used to develop historic preservation plans that meet the Secretary of the Interior's standards in cooperation with the Kansas State Historical Society or to cover basic operations costs, or both. Sites receiving grants also would be required to submit reports at the end of the grant period.

The bill also would create a Partnership Historic Site Committee, which would recommend which partnership historic sites would be awarded grants by the State Historical Society. The seven members of such committee would be appointed the Senate President (one appointment); the Senate Minority Leader (one); the Speaker of the House (one); the House Minority Leader (one); the Governor (two); and the Chairperson of the Historic Sites Board of Review (one). Members would serve two-year terms.

An additional section of the bill would raise the mortgage registration fee, effective July 1, from 0.26 to 0.27 percent of principal debt, with the new monies primarily earmarked for deposit in the PHSGF. Any amounts attributable to the additional 0.01 percent fee from a single county in excess of \$100,000 for a calendar year would be retained by such county for deposit into the county general fund.

Background

The latest fiscal information available from the Department of Revenue indicated that the expansion of the current historic preservation credit would be expected to reduce income tax receipts by \$0.75 million annually; that the new credit for contributions to certain historic sites would be expected to reduce receipts by an additional \$0.1 million annually; and that the mortgage registration fee increase would be expected to create receipts for the PHSGF of about \$1.0 million annually.

The Senate Committee recommended that bill's original provisions be removed and that a substitute bill be created.