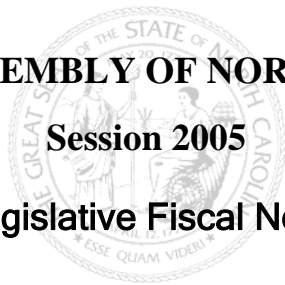


GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note



BILL NUMBER: House Bill 1716 (First Edition)

SHORT TITLE: Lead Hazard Reduction Tax Credit.

SPONSOR(S): Representatives Luebke and Harrison

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available ()		
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
REVENUES					
General Fund		(3.0)	(3.0)	(3.0)	(3.0)
EXPENDITURES					
DENR	(See Assumptions and Methodology)				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue, Department of Environment and Natural Resources.					
EFFECTIVE DATE: For tax years beginning on and after January 1, 2005.					

BILL SUMMARY: Enacts new GS 105-129.16E Article 3B of GS Chapter 105 (Business and Energy Tax Credits) to establish tax credit against franchise or income tax for expenditures used for residential lead remediation. Credit amount is the lesser of \$1500 per dwelling unit or the applicable percentage of expenditures used for remediation (30% for owner-occupied residences and 20% for rental residences). To obtain credit, taxpayer must apply in year after expenditures are made; places a ceiling of \$3 million per year for all credits, and if applications exceed that amount, credits are reduced pro rata. New section repealed for activities occurring on or after January 1, 2010. Amends GS 105-131.9H to raise fee for certificates of compliance under that section to \$25. Reorganizes existing sunset provisions on Article 3B.

ASSUMPTIONS AND METHODOLOGY: Since 1978 lead has been absent from household paint. However, previous to that time, lead was often a component of paint, the presence of which in a home could cause significant health risks for children. According to the federal Centers for Disease Control, approximately 24 million housing units in the United States have deteriorated leaded paint and elevated levels of lead-contaminated house dust. More than 4 million of these

dwellings are homes to one or more young children. While no state specific data is available, officials expect that many North Carolina children continue to be exposed to lead in older homes. Because of this risk, many states have a lead abatement and maintenance program.

According to officials from the Department of Environment and Natural Resources (DENR) there are currently 755 units involved in the existing North Carolina lead abatement program. This is the program referred to in the legislation. Of these units, 730 are owned by the Raleigh Housing Authority. However, DENR officials expect private sector participation will increase with the institution of a tax credit for abatement. Because of limited data, and since the program is capped at \$3.0 million in annual credits, that amount is used as a proxy for the actual cost of the program. Officials with the Department of Environment and Natural Resources that are currently involved with the existing lead abatement program indicate that they believe the cap is sufficient to handle likely demand, even with the legislation.

NOTE: while the effective date is listed as January 1, 2005 the closure of the 2005 legislative session suggests that the legislation could not actually become effective until the FY 2006-07 fiscal year (assuming the bill was not retroactive). As such, no estimated revenue loss is included for FY 2005-05.

At this point, the Department does not anticipate a need for additional appropriations to cover the administrative cost of the program.

SOURCES OF DATA: DENR, CDC.

TECHNICAL CONSIDERATIONS: The effective date should be adjusted to reflect a more likely actual effective date of the program.

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DATE: November 1, 2005

Signed Copy Located in the NCGA Principal Clerk's Offices