

Small Business Impact Statement

Prior to adopting a new section or amendment, Section 4-168a of the Connecticut General Statutes (C.G.S.) requires that each state agency consider the affect of such action on small businesses as defined in C.G.S. Section 4-168a. When such a regulatory action may have an adverse affect on small businesses, C.G.S. Section 4-168a directs the agency to consider regulatory requirements that will minimize the adverse impacts on small businesses if the addition of such requirements (1) will not interfere with the intended objectives of the regulatory action and (2) will allow the new section or amendment to remain consistent with public health, safety and welfare.

State Agency submitting proposed regulations: DECD

Subject matter of Regulation: Historic Preservation Tax Credit

In accordance with C.G.S. Section 4-168a, staff analyzed the affect on small businesses of the proposed regulations and determined the following:

True False (Check all appropriate boxes):

- | | | |
|-------------------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | The regulatory action will not have an affect on small businesses. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The regulatory action will have an affect on small businesses, but will not have an adverse affect on such small businesses. |
| <input type="checkbox"/> | <input type="checkbox"/> | The regulatory action may have an adverse affect on small businesses, and no alternative considered would be both as effective in achieving the purpose of the action and less burdensome to potentially affected small business. Alternatives considered include the following:
(1) The establishment of less stringent compliance or reporting requirements for small businesses;
(2) The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses;
(3) The consolidation or simplification of compliance or reporting requirements for small businesses;
(4) The establishment of performance standards for small businesses to replace design or operational standards required in the new section or amendment; and
(5) The exemption of small businesses from all or any part of the requirements contained in the new section or amendment. |
| <input type="checkbox"/> | <input type="checkbox"/> | The regulatory action will have an adverse affect on small businesses that cannot be minimized in a manner that is consistent with public health, safety and welfare. |

The State agency listed above notified the Department of Economic and Community Development of its intent to take the proposed action and completed the Agency Fiscal Estimate of Proposed Regulations.

AGENCY FISCAL ESTIMATE OF PROPOSED REGULATION

Agency Submitting Regulation: DECD Date: August 29, 2011

Subject Matter of Regulation: Historic Preservation Tax Credit

Regulation Section No.: 10-416b-1 through 10-416b-13

Statutory Authority: C.G.S. 10-416b, as amended in Public Act 11-48

Other Agencies Affected: Department of Revenue Services

Effective Date Used In Cost Estimate: July 1, 2011

Estimate Prepared By: Julie Carmelich Telephone No.: 860-256-2762

SUMMARY OF COST AND REVENUE IMPACT OF PROPOSED REGULATION

Agency: DECD Fund Affected: SID 35352 Historic Structures Law PA 06-186 Fund 12060
fiscal years 08-12

	First Year	Second Year	Full Operation
<u>Number of Positions</u>	1	1	1
Personal Services	\$72,485.00	\$72,485.00	\$72,485.00
Other Expenses	None	None	None
Equipment	None	None	None
Grants	n/a	n/a	n/a
Total State Cost or (Savings)	\$72,485.00	\$72,485.00	\$72,485.00
Estimated Revenue Gain or (Loss)	See below	See below	See below
Total Net State Cost or (Savings)	See below	See below	See below

Explanation of State Impact of Regulation:

Total State Costs

The Historic Preservation Tax Credit Program is administered by one staff member and no additional staffing is required. The Personal Services cost indicated above is for a National Register Specialist/Historian position, salary grade 26.

Estimated Revenue Gain

The Historic Preservation Tax Credit can be used in conjunction with the Federal Historic Tax Incentives program, which provides a 20% tax credit for qualified rehabilitation expenditures associated with the rehabilitation of income-producing properties. This is a federal funding source that helps leverage the state's investment in the program. Furthermore, a recent economic impact analysis of the state's historic tax credit program concluded that for every dollar issued in state tax credits \$5.00 was spent in private investment associated with the property's rehabilitation.

Additionally, historic rehabilitation projects create construction jobs that generate state income tax dollars. It is estimated that for every \$1,000,000.00 of output associated with a historic rehabilitation 9.3 direct jobs and 5.1 indirect jobs are created as opposed to new construction which creates a total of 11.9 direct and indirect jobs.

Finally, Public Act 11-48 Section 122 (j) allows the department to charge a fee up to \$10,000 for the administration of the program. As of August 2011, there is approximately \$93,000.00 in the account. Under the program regulations, DECD proposes to lower the maximum fee amount from \$10,000 to \$5,000 in order to bring the fees in line with the fees imposed under the Federal Historic Tax Incentives program and other state's tax credit programs. It is DECD's belief that a lower fee may make development in the state more attractive to out-of-state developers as well as encourage the rehabilitation of smaller commercial and residential properties. To date, the fund has been used to cover the cost of a portion of the State Historic Preservation Office's economic impact report. Staff is currently working on a series of brochures as well as a publication on incorporating energy efficiency in historic buildings. The cost of these initiatives will be paid for using the Historic Structures fund.

Explanation of Municipal Impact of Regulation:

The regulation of the tax credit program imposes no financial burden on municipalities. In fact, the rehabilitation of underutilized or vacant historic buildings can expand the local tax base by increasing property values and encourage the improvement of adjacent properties.

Explanation of Small Business Impact of Regulation:

The Department of Economic and Community Development expects the impact on small business to be a positive one. Historic rehabilitation is a proven job creator particularly with regards to the construction trade, but also land surveying, architecture and construction accounting businesses as well. Local and regional small businesses have the potential to benefit from all phases of project development including pre-construction, construction and post-construction phases.