Senate

General Assembly **File No. 713**

January Session, 2013 Substitute Senate Bill No. 1131

Senate, May 6, 2013

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING CHANGES TO THE CONNECTICUT HISTORIC HOME TAX CREDIT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 10-416 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015, and applicable to income years commencing on or after January 1, 2015*):

(a) As used in this section, the following terms shall have the following meanings unless the context clearly indicates another meaning:

[(1) "Officer" means the State Historic Preservation Officer designated pursuant to 36 CFR S. 61.2 (1978);**]**

(1) "Department" means the Department of Economic and Community Development;

(2) "Historic home" means a building that: (A) Will contain one-to-

four dwelling units of which at least one unit will be occupied as the principal residence of the owner for not less than five years following the completion of rehabilitation work, **[**(B) is located in a targeted area, and (C)**]** and (B) is (i) listed individually on the National or State Register of Historic Places, or (ii) located in a district listed on the National or State Register of Historic Places, and has been certified by the **[**commission**]** department as contributing to the historic character of such district;

(3) "Nonprofit corporation" means a nonprofit corporation incorporated pursuant to chapter 602 or any predecessor statutes thereto, having as one of its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by the Commissioner of Economic and Community Development in accordance with regulations adopted pursuant to section 8-79a or 8-84;

(4) "Owner" means (A) any taxpayer filing a state of Connecticut tax return who possesses title to an historic home, or prospective title to an historic home in the form of a purchase agreement or option to purchase, or (B) a nonprofit corporation that possesses such title or prospective title;

[(5) "Targeted area" means: (A) A federally designated "qualified census tract" in which seventy per cent or more of the families have a median income of eighty per cent or less of the state-wide median family income, (B) a state designated and federally approved area of chronic economic distress, or (C) an urban and regional center as identified in the Connecticut Conservation and Development Policies Plan;**]**

[(6)**]** (5) "Qualified rehabilitation expenditures" means any costs incurred for the physical construction involved in the rehabilitation of an historic home, but excludes: (A) The owner's personal labor, (B) the cost of site improvements, unless to provide building access to persons with disabilities, (C) the cost of a new addition, except as may be required to comply with any provision of the State Building Code or the Fire Safety Code, (D) any cost associated with the rehabilitation of an outbuilding, unless such building contributes to the historical significance of the historic home, and (E) any nonconstruction cost such as architectural fees, legal fees and financing fees;

[(7)] (6) "Rehabilitation plan" means any construction plans and specifications for the proposed rehabilitation of an historic home in sufficient detail to enable the [commission] department to evaluate compliance with the standards developed under the provisions of subsections (b), [to (d), inclusive,] (c) and (m) of this section; and

[(8)] (7) "Occupancy period" means a period of five years during which one or more owners occupy an historic home as [their] such owner's or owners' primary residence. The occupancy period begins on the date the tax credit voucher is issued by the Department of Economic and Community Development.

(b) The Department of Economic and Community Development shall administer a system of tax credit vouchers within the resources, requirements and purposes of this section for owners rehabilitating historic homes or taxpayers making contributions to qualified rehabilitation expenditures. For [tax] income years commencing on or after January 1, 2000, any owner shall be eligible for a tax credit voucher in an amount equal to thirty per cent of the qualified rehabilitation expenditures.

(c) The [officer] department shall develop standards for the approval of rehabilitation of historic homes for which a tax credit voucher is sought. Such standards shall take into account whether the rehabilitation of an historic home will preserve the historic character of the building.

[(d) The Department of Economic and Community Development may, in consultation with the Commissioner of Revenue Services, adopt regulations in accordance with chapter 54 to carry out the purposes of this section.]

[(e)] (d) Prior to beginning any rehabilitation work on an historic home, the owner shall submit a rehabilitation plan to the [officer] department for a determination of whether such rehabilitation work meets the standards developed under the provisions of subsections (b), [to (d), inclusive,] (c) and (m) of this section and shall also submit to the department an estimate of the qualified rehabilitation expenditures.

[(f)] (e) If the [officer] department certifies that the rehabilitation plan conforms to the standards developed under the provisions of subsections (b), [to (d), inclusive,] (c) and (m) of this section, the department shall reserve for the benefit of the owner an allocation for a tax credit equivalent to thirty per cent of the projected qualified rehabilitation expenditures.

[(g)] (f) Following the completion of rehabilitation of an historic home, the owner shall notify the [officer] department that such rehabilitation has been completed. The [officer] owner shall provide the [commission] department with documentation of work performed on the historic home and shall certify the cost incurred in rehabilitating the home. The [officer] department shall review such rehabilitation and verify its compliance with the rehabilitation plan. Following such verification, the [Department of Economic and Community Development] department shall issue a tax credit voucher to either the owner rehabilitating the historic home or to the taxpayer named by the owner as contributing to the rehabilitation. The tax credit voucher shall be in an amount equivalent to the lesser of (1) the tax credit reserved upon certification of the rehabilitation plan under the provisions of subsection [(f)] (e) of this section, or (2) thirty per cent of the actual qualified rehabilitation expenditures. In order to obtain a credit against any state tax due that is specified in subsections [(j) to (m)] (i) to (l), inclusive, of this section, the holder of the tax credit voucher shall file the voucher with the holder's state tax return.

[(h)] (g) Before the [Department of Economic and Community Development] department issues a tax credit voucher, the owner shall deliver a signed statement to the department which provides that: (1) The owner shall occupy the historic home as the owner's primary residence during the occupancy period, or (2) the owner shall convey the historic home to a new owner who will occupy it as the new owner's primary residence during the occupancy period, or (3) an encumbrance shall be recorded, in favor of the local, state or federal government or other funding source, that will require the owner or the owner's successors to occupy the historic home as the primary residence of the owner or the owner's successors for a period equal to or longer than the occupancy period. A copy of any such encumbrance shall be attached to the signed statement.

[(i)] (h) The owner of an historic home shall not be eligible for a tax credit voucher under subsections (b), [to (d), inclusive,] (c) and (m) of this section, unless the owner incurs qualified rehabilitation expenditures exceeding [twenty-five] fifteen thousand dollars.

[(j)] (i) The Commissioner of Revenue Services shall grant a tax credit to a taxpayer holding the tax credit voucher issued under subsections [(e) to (i)] (d) to (h), inclusive, of this section against any tax due under chapter 207, 208, 209, 210, 211 or 212 in the amount specified in the tax credit voucher. The Department of Economic and Community Development shall provide a copy of the voucher to the Commissioner of Revenue Services upon the request of said commissioner.

[(k) In no event shall a] (j) A credit allowed under this section shall not exceed thirty thousand dollars per dwelling unit for an historic home, except that such credit shall not exceed fifty thousand dollars per such dwelling unit for an owner that is a nonprofit corporation.

[(l)] (k) The tax credit [issued] granted under subsection [(j)] (i) of this section shall be taken [by the holder of the tax credit voucher] in the same tax year in which the tax credit voucher is issued. Any unused portion of such credit may be carried forward to any or all of the four [taxable years] income years following the year in which the tax credit voucher is issued.

[(m)**]** (l) The aggregate amount of all tax credits which may be reserved by the Department of Economic and Community Development upon certification of rehabilitation plans under subsections (b) to (d), inclusive, of this section shall not exceed three million dollars in any one fiscal year.

(m) The Department of Economic and Community Development may, in consultation with the Commissioner of Revenue Services, adopt regulations in accordance with chapter 54 to carry out the purposes of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2015, and applicable to income years commencing on or after January 1, 2015*	10-416

CE *Joint Favorable Subst. C/R* FIN

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 $	FY 15 $
Revenue Serv., Dept.	GF - Potential Revenue Loss	None	None

Municipal Impact: None

Explanation

The bill expands the Historic Homes Rehabilitation tax credit, which results in a revenue loss of up to $2.0 million annually beginning in FY 16.

Although the bill does not make changes to the $3.0 million aggregate annual credit cap for the program, fewer than $1.0 million in total credits have been utilized historically. To the extent the expansion under the bill results in greater utilization of the credit, there is a potential $2.0 million annual revenue loss.

The Out Years

State Impact:

Agency Affected	Fund-Effect	FY 16 $	FY 17 $	FY 18 $
Revenue Serv., Dept.	GF - Potential Revenue Loss	Up to 2.0 million	Up to 2.0 million	Up to 2.0 million

Municipal Impact: None

Sources: Department of Revenue Services Fiscal Year 2011-2012 Annual Report

OLR Bill Analysis

sSB 1131

AN ACT CONCERNING CHANGES TO THE CONNECTICUT HISTORIC HOME TAX CREDIT.

SUMMARY:

This bill expands the business tax credits for rehabilitating historic homes by:

1. making the credit available statewide, not just in statutorily designated areas;
2. reducing the minimum amount of money that one must spend rehabilitating a historic home from $25,000 to $15,000; and
3. increasing, from $30,000 to $50,000 per unit, the maximum amount of credit businesses can claim when contributing funds to nonprofit corporations rehabilitating historic homes.

By law, unchanged by the bill, the credit's total value equals 30% of the eligible rehabilitation costs.

People and nonprofit organizations rehabilitating historic homes must apply to the Department of Economic and Community Development (DECD) for a credit voucher, which they can exchange with businesses contributing funds toward the rehabilitation. The homes must have four or fewer units, one of which must be the owner's principal residence. DECD can award no more than $3 million per year in credits.

The bill also makes technical changes, including updating the statutes to conform with the 2011 elimination of the Connecticut Commission on Culture and Tourism and the transfer of its powers, duties, and offices to DECD. The transfer included the state historic

preservation office and it role in certifying rehabilitated historic homes for the tax credits.

EFFECTIVE DATE: July 1, 2015, and applicable to income years beginning on or after January 1, 2015.

ELIMINATED LOCATION REQUIREMENT

The bill eliminates the requirement limiting the credits to historic homes in targeted areas, thus making the credit available statewide for otherwise eligible historic homes. Current law limits the credits to homes in

1. census tracts in which at least 70% of the families have an income that is 80% or less of than the statewide median;

2. chronically distressed areas the state designates with federal approval; and

3. urban and regional centers identified in the State Plan of Conservation and Development Policies Plan.

Historic homes, regardless of location, must meet other requirements, which the bill does not change. They may have no more than four units, one of which must be the owner's principal residence for at least five years after the rehabilitation is completed. The homes must be listed on the National or State Register of Historic Places or located in a district listed in the register. With respect to the latter, DECD must determine that the home contributes to the district's historic character.

REDUCED MINIMUM EXPENDITURE REQUIREMENT

The bill reduces, from $25,000 to $15,000, the minimum amount one must spend on rehabilitating a historic home to qualify for a tax credit voucher. By law, which the bill does not change, the party rehabilitating the home cannot count the following expenditures toward the minimum expenditure requirement:

1. the owner's personal labor;

2. site improvements unrelated to making the home accessible to people with disabilities;

3. new additions that are not needed to comply with the state building and fire safety codes;

4. out buildings that do not contribute to the home's historic significance; and

5. architectural, legal, and financing fees and other non-construction costs.

INCREASED PER UNIT CREDIT AMOUNT

The bill increases, from $30,000 to $50,000 per unit, the maximum amount of credit available to businesses that contribute to historic home rehabilitation projects conducted by nonprofit organizations. Such organizations qualify for credit vouchers they can exchange for business contributions if (1) they possess title or prospective title to the home, (2) their mission includes housing development, and (3) the DECD commissioner approved their articles of incorporation.

The maximum per unit credit for individuals rehabilitating historic homes remains $30,000.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute Change of Reference
Yea 19 Nay 0 (03/26/2013)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 48 Nay 0 (04/19/2013)