General Assembly

Raised Bill No. 1131

January Session, 2013

LCO No. **4651**

Referred to Committee on COMMERCE

Introduced by:
(CE)

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 Section 10-416 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2013, and applicable to taxable or income years, as applicable, commencing on or after January 1, 2013*):

(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)**]** <u>and (B)</u> 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**]** <u>department</u> 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 <u>(A)</u> 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 <u>(B)</u> 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;**]**

<u>(5) "Median income" means, after adjustments for family size, the area median income as determined by the United States Department of Housing and Urban Development for the municipality in which the historic home is located;</u>

(6) "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) "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 (n) of this section; and

(8) "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**]** taxable years commencing on or after January 1, 2000, but prior to January 1, 2013, any owner shall be eligible for a tax credit voucher in an amount equal to thirty per cent of the qualified rehabilitation expenditures. For taxable years commencing on or after January 1, 2013:

(1) An owner as defined in subparagraph (A) of subdivision (4) of subsection (a) of this section, whose income does not exceed two hundred per cent of the median income shall be eligible for a tax credit

voucher in an amount equal to thirty per cent of the qualified rehabilitation expenditures;

(2) An owner, as defined in subparagraph (A) of subdivision (4) of subsection (a) of this section, whose income exceeds two hundred per cent but does not exceed four hundred per cent of the median income shall be eligible for a tax credit voucher in an amount equal to twenty per cent of the qualified rehabilitation expenditures; and

(3) An owner as defined in subparagraph (A) of subdivision (4) of subsection (a) of this section, whose income exceeds four hundred per cent of the median income shall be eligible for a tax credit voucher in an amount equal to ten per cent of the qualified rehabilitation expenditures.

(4) An owner, as defined in subparagraph (B) of subdivision (4) of subsection (a) of this section, 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 (n) 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 (n) of this section, the department shall reserve for the benefit of the owner an allocation for a tax credit equivalent to [thirty per cent] the applicable percentage, as provided in subsection (b) of this section, 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 [thirty per cent] (2) the applicable percentage, as provided in subsection (b) of this section, of the actual qualified rehabilitation expenditures. In order to obtain a credit against any state tax due that is specified in subsections [(j)] (i) to (m), 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 (n) 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 or 229, other than the liability imposed by section 12-707, 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) (1) The tax credit issued under subsection (j) 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] or income years, as applicable, following the year in which the tax credit voucher is issued.

(2) If the taxpayer is an S corporation or an entity treated as a

partnership for federal income tax purposes, the shareholders or partners of such taxpayer may claim the credit. If the taxpayer is a single member limited liability company that is disregarded as an entity separate from its owner, the limited liability company's owner may claim the credit.

(l) Any credit issued pursuant to this section may be sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers, and such taxpayers may sell, assign or otherwise transfer, in whole or in part, such credit. If a taxpayer sells, assigns or otherwise transfers a credit under this section to another taxpayer, the transferor and transferee shall jointly submit written notification of such transfer to the Department of Economic and Community Development not later than thirty days after such transfer. The notification shall include the tax credit voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and the transferee and any other information required by said department. Failure to comply with this subsection shall result in a disallowance of the tax credit until there is full compliance on the part of the transferor and the transferee, and all subsequent transferors and transferees. The Department of Economic and Community Development shall provide a copy of the notification of assignment to the Commissioner of Revenue Services upon request.

(m) 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.

(n) 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, 2013, and applicable to taxable or income years, as applicable, commencing on or after January 1, 2013*	10-416

Statement of Purpose:

To expand eligibility for and usage of the historic homes tax credit by (1) allowing homeowners to sell the credit to a business or apply it to the personal income tax, (2) lowering the minimum qualifying expense to fifteen thousand dollars, (3) raising the maximum amount of the credit to fifty thousand dollars per unit, (4) removing the geographical restriction on eligibility, and (5) introducing a graduated structure for the calculation of the credit amount.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]