



General Assembly

February Session, 2014

Raised Bill No. 5272

LCO No. 1426



Referred to Committee on COMMERCE

Introduced by:
(CE)

***AN ACT CONSOLIDATING CERTIFIED HISTORIC STRUCTURE
REHABILITATION TAX CREDITS.***

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

1 Section 1. Section 10-416b of the 2014 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective July 1, 2014, and applicable to income years commencing on or after*
4 *January 1, 2014*):

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

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

10 (2) "Certified historic structure" means [an historic commercial,
11 industrial, former municipal, state or federal government property,
12 cultural building, institutional or mixed residential and nonresidential]
13 any property that: (A) Is listed individually on the National or State

14 Register of Historic Places, or (B) is located in a district listed on the
15 National or State Register of Historic Places [,] and has been certified
16 by the officer as contributing to the historic character of such district;

17 (3) "Certified rehabilitation" means any rehabilitation of a certified
18 historic structure for (1) residential use of five units or more, (2) mixed
19 residential and nonresidential uses, or (3) nonresidential use consistent
20 with the historic character of such property or the district in which
21 [the] such property is located, as determined by regulations adopted
22 by the Department of Economic and Community Development;

23 (4) "Owner" means any person, firm, limited liability company,
24 nonprofit or for-profit corporation or other business entity or
25 municipality [which] that possesses title to an historic structure and
26 undertakes the rehabilitation of such structure;

27 (5) "Placed in service" means that substantial rehabilitation work has
28 been completed [which] that would allow for issuance of a certificate
29 of occupancy for the entire building or, in projects completed in
30 phases, for an identifiable portion of the building;

31 (6) "Qualified rehabilitation expenditures" means any costs incurred
32 for the physical construction involved in the rehabilitation of a
33 certified historic structure, [for mixed residential and nonresidential
34 uses or nonresidential uses,] excluding: (A) The owner's personal
35 labor, (B) the cost of a new addition, except as required to comply with
36 any provision of the State Building Code or the Fire Safety Code, and
37 (C) any nonconstruction cost such as architectural fees, legal fees and
38 financing fees;

39 (7) "Rehabilitation plan" means any narrative, construction plans
40 and specifications for the proposed rehabilitation of a certified historic
41 structure in sufficient detail for evaluation [by] of compliance with the
42 [standards developed under the provisions of subsections (b) to (d),
43 inclusive, of this section] Secretary of the Interior's Standards for
44 Rehabilitation; and

45 (8) "Substantial rehabilitation" or "substantially rehabilitate" means
46 the qualified rehabilitation expenditures of a certified historic structure
47 that exceed twenty-five per cent of the assessed value of such
48 structure.

49 (9) "Affordable housing" has the same meaning as provided in
50 section 8-39a.

51 (b) (1) The Department of Economic and Community Development
52 shall administer a system of tax credit vouchers within the resources,
53 requirements and purposes of this section for owners rehabilitating
54 certified historic structures.

55 (2) The credit authorized by this section shall be available in the tax
56 year in which the substantially rehabilitated certified historic structure
57 is placed in service. In the case of projects completed in phases, the tax
58 credit shall be prorated to the substantially rehabilitated identifiable
59 portion of the building placed in service. If the tax credit is more than
60 the amount owed by the taxpayer for the year in which the
61 substantially rehabilitated certified historic structure is placed in
62 service, the amount that is more than the taxpayer's tax liability may be
63 carried forward and credited against the taxes imposed for the
64 succeeding five years or until the full credit is used, whichever occurs
65 first.

66 (3) In the case of projects completed in phases, the Department of
67 Economic and Community Development may issue vouchers for the
68 substantially rehabilitated identifiable portion of the building placed in
69 service.

70 (4) Any credits allowed under this section that are provided to
71 multiple owners of certified historic structures shall be passed through
72 to persons designated as partners, members or owners, pro rata or
73 pursuant to an agreement among such persons designated as partners,
74 members or owners documenting an alternative distribution method
75 without regard to other tax or economic attributes of such entity. Any

76 owner entitled to a credit under this section may assign, transfer or
77 convey the credits, in whole or in part, by sale or otherwise to any
78 individual or entity and such transferee shall be entitled to offset the
79 tax imposed under chapter 207, 208, 209, 210, 211 or 212 as if such
80 transferee had incurred the qualified rehabilitation expenditure.

81 [(c) The officer shall develop standards for the approval of
82 rehabilitation of certified historic structures for which a tax credit
83 voucher is sought. Such standards shall take into account whether the
84 rehabilitation of a certified historic structure will preserve the historic
85 character of the building.]

86 [(d)] (c) The Department of Economic and Community
87 Development may adopt regulations, in accordance with chapter 54, to
88 carry out the purposes of this section. Such regulations shall include
89 provisions for the filing of applications, rating criteria and for timely
90 approval by the department.

91 [(e)] (d) Prior to beginning any rehabilitation work on a certified
92 historic structure, the owner shall submit to the officer (1) (A) a
93 rehabilitation plan for a determination of whether [or not] such
94 rehabilitation work meets the [standards developed under the
95 provisions of subsections (b) to (d), inclusive, of this section] Secretary
96 of the Interior's Standards for Rehabilitation, and (B) if such
97 rehabilitation work is planned to be undertaken in phases, a complete
98 description of each such phase, with anticipated schedules for
99 completion; [] (2) an estimate of the qualified rehabilitation
100 expenditures; [] and (3) for projects pursuant to subdivision (2) of
101 subsection (f) of this section, (A) the number of units of affordable
102 housing [, as defined in section 8-39a,] to be created, (B) the proposed
103 rents or sale prices of such units, and (C) the median income for the
104 municipality where the project is located. [For projects pursuant to
105 subdivision (2) of subsection (f) of this section, the owner shall submit
106 a copy of data required under subdivision (3) of this subsection to the
107 Department of Housing.]

108 [(f)] (e) If the officer certifies that the rehabilitation plan conforms to
109 the [standards developed under the provisions of subsections (b) to
110 (d), inclusive, of this section] Secretary of the Interior's Standards for
111 Rehabilitation, the Department of Economic and Community
112 Development shall reserve for the benefit of the owner an allocation
113 for a tax credit equivalent to (1) twenty-five per cent of the projected
114 qualified rehabilitation expenditures, or (2) [for rehabilitation plans
115 submitted pursuant to subsection (e) of this section on or after June 14,
116 2007,] thirty per cent of the projected qualified rehabilitation
117 expenditures if (A) at least twenty per cent of the units are rental units
118 and qualify as affordable housing, [as defined in section 8-39a,] or (B)
119 at least ten per cent of the units are individual homeownership units
120 and qualify as affordable housing. [, as defined in section 8-39a.] No
121 tax credit shall be allocated for the purposes of this subdivision unless
122 an applicant has received a certificate from the [Department]
123 Commissioner of Housing pursuant to section 8-37lll, as amended by
124 this act, confirming that the project complies with affordable housing
125 requirements under section 8-39a.

126 [(g)] (1) The owner shall notify the officer that a phase of the
127 rehabilitation has been completed at such time as an identifiable
128 portion of a certified historic structure has been placed in service. Such
129 portion shall not be required to include residential uses, provided the
130 rehabilitation plan submitted pursuant to subsection (e) of this section
131 describes the residential uses that will be part of the rehabilitation, and
132 includes a schedule for completion of such residential uses. The owner
133 shall provide the officer with documentation of work performed on
134 such portion of such structure and shall submit certification of the
135 costs incurred in such rehabilitation. The officer shall review such
136 rehabilitation and verify its compliance with the rehabilitation plan.
137 Following such verification, the Department of Economic and
138 Community Development shall issue a tax credit voucher as provided
139 in subsection (h) of this section.

140 (2) If the residential portion of the mixed residential and

141 nonresidential uses described in the rehabilitation plan is not
142 completed within the schedule outlined in such plan, the owner shall
143 recapture one hundred per cent of the amount of the credit for which a
144 voucher was issued pursuant to this section on the tax return required
145 to be filed for the income year immediately succeeding the income
146 year during which such residential portion has not been completed.
147 The Department of Economic and Community Development, in its
148 discretion, may provide an extension of time for completion of such
149 residential portion, but in no event shall such extension be more than
150 three years.]

151 [(h)] (f) Following the completion of rehabilitation of a certified
152 historic structure in its entirety or in phases to an identifiable portion
153 of the building, the owner shall notify the officer that such
154 rehabilitation has been completed. The owner shall provide the officer
155 with documentation of work performed on the certified historic
156 structure and shall submit certification of the costs incurred in
157 rehabilitating the certified historic structure. The officer shall review
158 such rehabilitation and verify its compliance with the rehabilitation
159 plan. Following such verification, the Department of Economic and
160 Community Development shall issue a tax credit voucher to the owner
161 rehabilitating the certified historic structure or to the taxpayer named
162 by the owner as contributing to the rehabilitation. The tax credit
163 voucher shall be in an amount equivalent to the lesser of the tax credit
164 reserved upon certification of the rehabilitation plan under the
165 provisions of subsection [(f)] (e) of this section or (1) twenty-five per
166 cent of the actual qualified rehabilitation expenditures, or (2) for
167 projects including affordable housing pursuant to subdivision (2) of
168 subsection [(f)] (e) of this section, thirty per cent of the actual qualified
169 rehabilitation expenditures. In order to obtain a credit against any state
170 tax due that is specified in subsection [(i)] (g) of this section, the holder
171 of the tax credit voucher shall file the voucher with the holder's state
172 tax return.

173 [(i)] (g) The Commissioner of Revenue Services shall grant a tax

174 credit to a taxpayer holding the tax credit voucher issued under
175 subsections [(e) to (j)] (d) to (h), inclusive, of this section against any
176 tax due under chapter 207, 208, 209, 210, 211 or 212 in the amount
177 specified in the tax credit voucher. Such taxpayer shall submit the
178 voucher and the corresponding tax return to the Department of
179 Revenue Services.

180 [(j)] (h) The Department of Economic and Community Development
181 may charge an application fee in an amount not to exceed ten
182 thousand dollars to cover the cost of administering the program
183 established pursuant to this section.

184 [(k)] (i) The aggregate amount of all tax credits [which] that may be
185 reserved by the Department of Economic and Community
186 Development upon certification of rehabilitation plans under
187 subsections (a) to [(j)] (h), inclusive, of this section shall not exceed
188 [fifty million dollars for the fiscal three-year period beginning July 1,
189 2008, and ending June 30, 2011, inclusive, and each fiscal three-year
190 period thereafter] thirty-one million seven hundred thousand dollars
191 in any fiscal year. No project may receive tax credits in an amount
192 exceeding [ten per cent of such aggregate amount] four million five
193 hundred thousand dollars.

194 [(l)] (j) On or before October 1, 2009, and annually thereafter, the
195 Department of Economic and Community Development shall report
196 the total amount of historic preservation tax credits and affordable
197 housing tax credits reserved for the previous fiscal year under
198 subsections (a) to [(j)] (h), inclusive, of this section, to the joint standing
199 committees of the General Assembly having cognizance of matters
200 relating to commerce and to finance, revenue and bonding. Each such
201 report shall include the following information for each project for
202 which a tax credit has been reserved: (1) The total project costs, (2) the
203 value of the tax credit reservation for the purpose of historic
204 preservation, (3) a statement whether the reservation is for mixed-use
205 and if so, the proportion of the project that is not residential, and (4)

206 the number of residential units to be created, and, for affordable
207 housing reservations, the value of the reservation and percentage of
208 residential units that will qualify as affordable housing, [as defined in
209 section 8-39a.]

210 [(m) (1) If the total amount of such tax credits reserved in the first
211 fiscal year of a fiscal three-year period is more than sixty-five per cent
212 of the aggregate amount of tax credits reserved under subsections (a)
213 to (j), inclusive, of this section, then no additional reservation shall be
214 allowed for the second fiscal year of such fiscal three-year period
215 unless the joint standing committees of the General Assembly having
216 cognizance of matters relating to commerce and to finance, revenue
217 and bonding each vote separately to authorize continuance of tax
218 credit reservations under the program.

219 (2) If the total amount of such credits reserved in the second year of
220 a fiscal three-year period exceeds ninety per cent of the aggregate
221 amount of tax credits reserved under subsections (a) to (j), inclusive, of
222 this section, then no additional reservation shall be allowed for the
223 third fiscal year of such fiscal three-year period unless the joint
224 standing committees of the General Assembly having cognizance of
225 matters relating to commerce and to finance, revenue and bonding
226 each vote separately to authorize the continuance of tax credit
227 reservations under the program.

228 (3) Any tax credit reservations issued before a suspension of
229 additional tax credit reservations under subdivisions (1) and (2) of this
230 subsection shall remain in place.]

231 Sec. 2. Subsection (b) of section 32-1s of the 2014 supplement to the
232 general statutes is repealed and the following is substituted in lieu
233 thereof (*Effective July 1, 2014*):

234 (b) Any order or regulation of the Connecticut Commission on
235 Culture and Tourism, which is in force on July 1, 2011, shall continue
236 in force and effect as an order or regulation of the Department of

237 Economic and Community Development until amended, repealed or
238 superseded pursuant to law. Where any order or regulation of said
239 commission or said department conflicts, the Commissioner of
240 Economic and Community Development may implement policies and
241 procedures consistent with the provisions of this section and sections
242 3-110f, 3-110h, 3-110i, 4-9a, 4-66aa, 4-89, 4b-53, 4b-60, 4b-64, 4b-66a, 5-
243 198, 7-147a, 7-147b, 7-147c, 7-147j, 7-147p, 7-147q, 7-147y, 8-37lll, as
244 amended by this act, 10-382, 10-384, 10-385, 10-386, 10-387, 10-388, 10-
245 389, 10-391, 10-392, 10-393, 10-394, 10-395, 10-396, 10-397, 10-397a, 10-
246 399, 10-400, 10-401, 10-402, 10-403, 10-404, 10-405, 10-406, 10-408, 10-
247 409, 10-410, 10-411, 10-412, 10-413, 10-414, 10-415, 10-416, [10-416a,] 10-
248 416b, as amended by this act, 10-425, 10a-111a, 10a-112, 10a-112b, 10a-
249 112g, 11-6a, 12-376d, 13a-252, 19a-315b, 19a-315c, 22a-1d, 22a-19b, 22a-
250 27s, 29-259, 32-6a, 32-11a and 32-35 while in the process of adopting
251 the policy or procedure in regulation form, provided notice of
252 intention to adopt regulations is printed in the Connecticut Law
253 Journal not later than twenty days after implementation. The policy or
254 procedure shall be valid until the time final regulations are effective.

255 Sec. 3. Section 8-37lll of the general statutes is repealed and the
256 following is substituted in lieu thereof (*Effective July 1, 2014*):

257 (a) The Commissioner of Housing shall review applications for
258 affordable housing tax credits submitted pursuant to subsection [(e)]
259 (d) of section 10-416b, as amended by this act. Upon determination that
260 an application contains affordable housing as required by said section
261 the commissioner shall issue a certificate to that effect. The
262 commissioner shall monitor projects certified under this section to
263 ensure that the affordable housing units are maintained as affordable
264 for a minimum of ten years and may require deed restrictions or other
265 fiscal mechanisms designed to ensure compliance with project
266 requirements. The commissioner may impose a fee in an amount not
267 exceeding two thousand dollars to cover the cost of reviewing
268 applications and monitoring projects that qualify for affordable
269 housing tax credits pursuant to subsections (a) to [(j)] (h), inclusive, of

270 section 10-416b, as amended by this act.

271 (b) The Commissioner of Housing may adopt regulations, pursuant
 272 to chapter 54, for monitoring of projects that qualify for affordable
 273 housing tax credits pursuant to subsections (a) to [(j)] (h), inclusive, of
 274 section 10-416b, as amended by this act, by the Department of
 275 Housing, or by local housing authorities, municipalities, other public
 276 agencies or quasi-public agencies, as defined in section 1-120,
 277 designated by the department. Such regulations shall include
 278 provisions for ensuring that affordable units developed under
 279 subdivision (3) of subsection [(e)] (d) of section 10-416b, as amended
 280 by this act, are maintained as affordable for a minimum of ten years
 281 and may require deed restrictions or other fiscal mechanisms designed
 282 to ensure compliance with project requirements.

283 Sec. 4. Section 10-416a of the general statutes is repealed. (*Effective*
 284 *July 1, 2014*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014, and applicable to income years commencing on or after January 1, 2014</i>	10-416b
Sec. 2	<i>July 1, 2014</i>	32-1s(b)
Sec. 3	<i>July 1, 2014</i>	8-37III
Sec. 4	<i>July 1, 2014</i>	Repealer section

Statement of Purpose:

To expand eligibility for and consolidate existing certified historic structure rehabilitation tax credits in order to increase efficiency in the use and administration of such tax credits.

[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.]