



# House of Representatives

General Assembly

**File No. 332**

February Session, 2014

Substitute House Bill No. 5004

*House of Representatives, April 3, 2014*

The Committee on Commerce reported through REP. PERONE of the 137th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING AN EXPANSION OF THE HISTORIC HOMES TAX CREDIT.**

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

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2 the general statutes is repealed and the following is substituted in lieu  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

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

10 Sec. 2. Subsection (l) of section 10-416 of the 2014 supplement to the  
11 general statutes, as amended by section 1 of public act 13-266, is  
12 repealed and the following is substituted in lieu thereof (*Effective July*  
13 *1, 2015, and applicable to income years commencing on or after January 1,*

14 2015):

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

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>	10-416(m)
Sec. 2	<i>July 1, 2015, and applicable to income years commencing on or after January 1, 2015</i>	10-416(l)

**CE** 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.

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**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 15 \$</b>	<b>FY 16 \$</b>
Department of Revenue Services	GF - Potential Revenue Loss	Up to 3.8 million	Up to 3.8 million

**Municipal Impact:** None

**Explanation**

The bill increases, from \$3.0 to \$5.0 million, the annual aggregate cap on the amount of historic homes rehabilitation tax credits available. This results in an annualized revenue loss of up to \$3.8 million beginning in FY 15.

The estimate is based on data from the Department of Economic and Community Development indicating that approximately \$1.2 million tax credit vouchers were issued under the program in FY 13. The actual timing and amount of the revenue loss are dependent upon the completion date and final cost of eligible projects under the program.

**The Out Years**

The annualized ongoing fiscal impact identified above would remain constant into the future due to the annual cap on the amount of credits available.

Sources: Department of Economic and Community Development Annual Reports  
Department of Revenue Services Annual Reports

**OLR Bill Analysis****sHB 5004*****AN ACT CONCERNING AN EXPANSION OF THE HISTORIC HOMES TAX CREDIT.*****SUMMARY:**

This bill increases, from \$3 million to \$5 million, the annual cap on aggregate tax credits for businesses that contribute funds for rehabilitating historic homes. By law, businesses receive these credits by contributing funds to individuals or nonprofit organizations rehabilitating one- to four-unit historic homes for owner occupancy. The Department of Economic and Community Development (DECD) awards the credits, which equal 30% of the eligible rehabilitation costs. The law specifies the criteria for identifying and rehabilitating historic homes and the process for obtaining the credits.

**EFFECTIVE DATE:** July 1, 2014 and applicable to income years beginning on or after January 1, 2014, except for changes that will supersede the current annual cap statute on July 1, 2015, which take effect on that date and are applicable to income years beginning on or after January 1, 2015.

**BACKGROUND*****Historic Homes Tax Credit***

The Historic Homes Tax Credit is one of three business tax credits currently available for rehabilitating historic property. The historic homes tax credit is limited to homes with four or fewer units listed on the National or State Register of Historic Places or located in a historic district listed in either register. The rehabilitated homes must be owner-occupied, meaning the owner must live in one of the units as a principal residence for at least five years after the rehabilitation is completed.

The individual or nonprofit rehabilitating the home must spend at least \$15,000 in eligible rehabilitation costs to qualify for a credit. The credit equals 30% of these costs, but the law caps the total credit at \$30,000 per unit for individuals and \$50,000 per unit for nonprofit organizations.

***Related Programs***

Current law also authorizes tax credits for converting (1) historic business property to homes and apartments and (2) different types of historic property for residential use or mixed residential and nonresidential use. The latter includes structures used for governmental, institutional, and cultural purposes.

The criteria and processes for accessing these DECD-administered credits are similar to those for obtaining the historic homes credit, but the annual credit caps vary. Current law caps the credit for converting (1) historic business property to residential uses at \$15 million per year and (2) different types of historic property for mixed or residential uses at \$50 million per three-year cycle.

***Related Bill***

sHB 5272, favorably reported by the Commerce Committee, (1) consolidates the two tax credit programs for rehabilitating historic business property, (2) caps the credits at \$31.7 million per year, and (3) makes various programmatic changes.

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/18/2014)