OPPOSITION to Sections 25, 26, and 27 of HB 7410
AN ACT CONCERNING CERTAIN TAX RECOMMENDATIONS OF THE
COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH AND
ESTABLISHED A STEM PROGRAM

Finance, Revenue and Bonding Committee Public Hearing 4/10/2019
Public Testimony 4/10/2019

To: The Hon. John W. Fonfara, Co-Chair, the Hon. Jason Rojas, Co-Chair, the Hon. Kevin D. Witkos, Ranking Member, the Hon. Christopher Davis, Ranking Member and the members of the Finance Revenue and Bonding Committee

Thank you for the opportunity to submit written testimony.

My name is Nina Caruso, Historic Preservation Specialist at Crosskey Architects, and I’d like to express my concerns about Sections 25, 26 and 27 of HB 7410, which are the same as Section 43 of SB 877. Crosskey Architects specializes in historic rehabilitation and has created a niche market by providing design services and historic tax credit consulting in-house.

We currently have 25 active historic rehabilitation projects seeking CT historic rehabilitation tax credits (HRTC), and Eversource is the main buyer of those tax credits. We are concerned that reducing the amount of credits a corporation, like Eversource, can buy to offset their tax liability would have unintended consequences. Specifically, developers will need to invest time in finding and educating new buyers, which would add more layers to and further complicate an already complex funding structure. This may potentially make it more difficult for developers to undertake these highly specialized redevelopment projects that are leading economic development in cities like Hartford, Bridgeport and Waterbury.

Additionally, there is a real concern that the value of the credit will be diminished because of a lack of demand which is the result of putting a cap on the amount of tax credits corporations can claim per quarter. Even if we identify more buyers to minimize the impact and to keep the purchase rate at 97%-100%, what benefit would this be to the state? Meaning, the state would be collecting more tax from Eversource and less tax from new buyers as there is more diversification in the market. In essence, the state isn’t actually increasing the tax revenue by decreasing the amount of tax credits utility companies can use to offset their tax liability—the tax liability is just being shared.

To that end, it is important to remember the reason why the General Assembly endorsed the creation of the Historic Homes and the Historic Rehabilitation Tax Credit programs, and why the State of Connecticut has continued to promote these programs. These programs create more jobs than most types of economic activity in the state, including new construction because historic preservation jobs are more labor intensive requiring special trades. They increase property
value and property taxes, maintain neighborhood character, attract other investments (just look at Frog Hollow in Hartford), create and maintain affordable housing.

The key to the success of the program is the ability to sell and transfer the tax credits. The flexibility greatly enhances the leveraging of resources. Eversource has historically paid 100% for the CT HRTC and if there is a reduction in the value of the credit, the program and economic development could see setbacks for the reasons outlined above—and this is precisely the part we are concerned about. Any legislation that negatively affects economic development needs to be killed.

I’d like to underscore how important these tax credits are to the economic vitality of our cities and towns and that they are revenue generating. It is important to also think about all the positive side effects of rehabilitation like the revenue generated from the restaurant, hospitality, entertainment and retail industries. This revenue needs to be associated with historic rehabilitation.

Again, thank you for your consideration and the time you invest in understanding the varying viewpoints. They are important and no small task.

Respectfully,

Nina Caruso
Historic Preservation Specialist