
OLR Bill Analysis

sHB 5190

AN ACT CONCERNING THE HISTORIC HOMES REHABILITATION TAX CREDIT.

SUMMARY

This bill changes the taxes against which historic homes rehabilitation tax credits may be claimed. By law, the Department of Economic and Community Development (DECD) issues these credits, subject to certain requirements, to (1) people and nonprofits who own, rehabilitate, and occupy historic homes or (2) businesses that contribute funds for rehabilitating historic homes that are or will be occupied by their owners.

Under current law, taxpayers may apply only credits issued before January 1, 2024, against specified state business taxes (i.e., the insurance premiums, corporation business, air carriers, railroad companies, cable and satellite TV companies, and utility companies' taxes). The bill allows taxpayers to continue claiming credits issued in the 2024 tax year and all following years against these specified business taxes.

The bill also allows all taxpayers to apply credits issued on or after January 1, 2024, against the unrelated business income tax (current law allows only nonprofit corporations to do so). Existing law, unchanged by the bill, allows all taxpayers to claim them against the personal income tax.

The bill allows taxpayers applying the credit against any of the business taxes mentioned above to carry forward any unused credits for up to four income years, just as existing law allows for nonprofit corporations claiming the credit against the unrelated business income tax. Under existing law, credits applied against the income tax are refundable for any amount of the credit that exceeds the taxpayer's liability.

EFFECTIVE DATE: July 1, 2024, and applicable to taxable and income years beginning on or after January 1, 2024.

BACKGROUND

Historic Homes Rehabilitation Tax Credit

Under this program, qualifying property owners (people and nonprofits) may receive a tax credit for 30% of the construction costs they incur in rehabilitating a historic home. To qualify, the historic home must (1) have no more than four units, one of which must be the owner’s principal residence for at least five years after rehabilitation is completed, and (2) be (a) listed on the National or State Register of Historic Places or (b) located in a district listed in either register and certified by DECD as contributing to the district’s historic character.

To qualify for the credit, the project’s construction costs must exceed \$15,000. The credit equals 30% of the eligible construction costs but may not exceed \$30,000 per dwelling unit (or \$50,000 for owners that are nonprofit corporations). DECD may reserve up to \$3 million in vouchers for these credits each fiscal year, 70% of which must be for rehabilitating homes in the municipalities designated as “regional centers” in the current state plan of conservation and development.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 24 Nay 0 (03/22/2024)