File No. 532

Substitute Senate Bill No. 396

Senate, April 16, 1998. The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY, 11th DIST., Chairman of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING A TAX CREDIT FOR THE REHABILITATION OF HISTORIC HOMES.

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

Section 1. (NEW) As used in sections 1 to 8, inclusive, of this act, the following terms shall have the following meanings unless the context clearly indicates another meaning:

(1) "Commission" means the Connecticut Historical Commission established under section 10-321 of the general statutes;

(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 title holder for not less than five years following the completion of rehabilitation work, (B) is located in a targeted area, and (C) is listed individually on the National Register of Historic Places or is located in a district listed on the National Register of Historic Places, and has been certified by the commission as contributing to the historic character of such district;

(3) "Nonprofit corporation" means a nonprofit corporation incorporated pursuant to chapter 602 of the general statutes 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 of the general statutes;

(4) "Owner" means any taxpayer filing a state of Connecticut tax return who possesses title to an historic home, or prospective title in the form of a purchase agreement or option to purchase, or 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;

(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, (C) the cost of a new addition, except as may be required to comply with any provision of the State Building Code or the State 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 to evaluate compliance with the standards developed under the provisions of section 4 of this act.

Sec. 2. (NEW) For the tax years commencing on or after January 1, 1999, and prior to January 1, 2004, any owner shall be eligible for a tax credit voucher in an amount equal to thirty per cent of the qualified rehabilitation expenditures.

Sec. 3. (NEW) (a) Prior to beginning any rehabilitation work on an historic home, the owner shall submit a rehabilitation plan to the commission for a determination of whether such rehabilitation work meets the standards developed under the provisions of section 4 of this act and shall also submit to the commission an estimate of the qualified rehabilitation costs.

(b) If the commission certifies that the rehabilitation plan conforms to the standards developed under the provisions of section 4 of this act, the commission shall reserve for the benefit of the owner a tax credit allocation equivalent to thirty per cent of the projected qualified rehabilitation expenditures.

(c) Not later than thirty days following the completion of rehabilitation of an historic home, the owner shall notify the commission that such rehabilitation has been completed. The owner shall provide the commission with documentation of work performed on the historic home and shall certify the cost incurred in rehabilitating the home. The commission shall review such rehabilitation and verify its compliance with the rehabilitation plan. Following such verification, the commission shall issue a tax credit voucher in an amount equivalent to the lesser of the tax credit reserved upon certification of the rehabilitation plan under the provisions of subsection (b) of this section or thirty per cent of the actual qualified rehabilitation expenditures. In order to obtain a credit against any state tax due that is specified in section 6 of this act, the holder of the tax credit voucher shall file the voucher with the holder's state tax return.

(d) In the event that the historic home will not be the principal residence of the title holder after completion of the rehabilitation work, in addition to the documentation required under subsection (c) of this section, the owner shall, within twelve months of completion of said rehabilitation work, provide the commission with certification of transfer of the property and owner occupancy. Following receipt of the certification, the commission shall issue a tax credit voucher in accordance with subsection (c) of this section.

Sec. 4. (NEW) The commission shall adopt regulations, in accordance with chapter 54 of the general statutes, to develop standards for the approval of rehabilitation of historic homes. Such standards shall take into account whether the rehabilitation of an historic home will preserve the historic character of the building.

Sec. 5. (NEW) (a) The owner of an historic home shall not be eligible for a tax credit voucher under section 2 of this act, unless the owner incurs qualified rehabilitation expenditures exceeding twenty-five thousand dollars.

(b) In no event shall a credit allowed under this act exceed thirty thousand dollars per dwelling unit for an historic home.

Sec. 6. (NEW) The owner may sell a tax credit issued under this act to any taxpayer, and the Commissioner of Revenue Services shall grant a tax credit to that taxpayer against any tax due under chapter 207, 208, 209, 210, 211, 212, 212a, or 229 of the general statutes in the amount specified in the tax credit voucher. Such taxpayer shall submit the voucher and the corresponding tax return to the Department of Revenue Services.

Sec. 7. (NEW) (a) The tax credit issued under this act shall be taken by the holder of the tax credit voucher in the same tax year in which the voucher is issued. Any unused portion of such credit may be carried forward to any or all of the four taxable years following the year in which the tax credit voucher is issued.

(b) The aggregate amount of all tax credits which may be reserved upon certification of rehabilitation plans under this act shall not exceed three million dollars in any one fiscal year.

Sec. 8. (NEW) The commission shall, in consultation with the Commissioner of Revenue Services, adopt regulations in accordance with chapter 54 of the general statutes to carry out the purposes of this act.

HSG	COMMITTEE VOTE:	YEA	9	NAY	0	JFS	C/R	PD
PD	COMMITTEE VOTE:	YEA	19	NAY	0	JF	C/R	FIN
FIN	COMMITTEE VOTE:	YEA	33	NAY	10	JFS		

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER sSB 396

STATE IMPACT	Revenue Loss, Minimal Cost Within Resources and Cost, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	Department of Revenue Services, Connecticut Historical Commission

EXPLANATION OF ESTIMATES:

Any increase in the administrative workload of the Connecticut Historical Commission due to submittal and review of rehabilitation plans to determine eligibility for tax credit vouchers, is anticipated to be minimal and handled within existing budgetary resources.

Since the credit voucher is capped at $3 million per year, the combined revenue loss will not exceed $15 million over nine years. The credit voucher can be claimed for five years, January 1, 1999 through December 1, 2003, and carried forward for up to four taxable years after it was issued.

There will be a cost, estimated to be $185,000, for the Department of Revenue Services to program their computers, administer and track the credit.

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OLR BILL ANALYSIS

sSB 396

AN ACT CONCERNING A TAX CREDIT FOR THE REHABILITATION OF HISTORIC HOMES

SUMMARY: This bill authorizes up to $3 million per year in personal income and corporate business tax credits for rehabilitating historic homes in specified areas. The homes can have up to four units and must meet other criteria. Individuals and nonprofit organizations qualify for credits of up to $30,000 per unit if the total construction cost exceeds $25,000. They can claim the credits from January 1, 1999 until December 31, 2003.

Individuals and nonprofits must submit rehabilitation plans to the Connecticut Historical Commission for approval. They must also submit documents certifying their expenditures. Nonprofits must also submit a certification that they will transfer the home to an owner-occupant. Individuals and nonprofits can sell the tax credits to companies paying corporate business taxes.

The commission must adopt regulations to develop rehabilitation standards, which must consider if the work will preserve the building's historic character. The commission must consult with the revenue services commissioner in adopting regulations implementing the bill's other requirements.

EFFECTIVE DATE: October 1, 1998 and applicable from January 1, 1999 to December 31, 2003.

FURTHER EXPLANATION

Eligibility Requirements

Property. The bill authorizes tax credits for rehabilitating historic homes containing no more than four units, one of which must be the owner's principal residence, for at least five years after the rehabilitation is completed. The home must be located in one of the following targeted areas.

1. A census tract in which the incomes of at

least 70% of the families are 80% or less of the statewide median family income.

2. An area of chronic economic distress, as designated by the state with the federal government's approval.

3. An area identified as an urban and regional center in the Connecticut Conservation and Development Policies Plan.

The home must also be listed in the National Register of Historic Places or be located in a district listed in the register. With respect to the latter, the Historic Commission must first determine if the home contributes to the district's character.

Owners. Individuals and nonprofit organizations qualify for the credits. An individual qualifies if he pays income taxes and possess title to the historic home. He also qualifies if he holds title in the form of a purchase agreement or option to purchase.

A nonprofit organization also qualifies if it meets these criteria, its mission includes developing housing, and the economic and community development commissioner approved its articles of incorporation.

Expenditures. Owners can claim the credits only for construction costs, which must exceed $25,000. These costs do not include the owner's personal labor; site improvements; new additions that are not needed to satisfy building code requirements; outbuildings that do not contribute to the home's historic significance; and architectural, legal, and financing fees and other nonconstruction costs.

Credit

The credit equals 30% of the eligible construction costs, but cannot exceed $30,000 per dwelling unit. The bill limits the total amount of credits to $3 million per fiscal year.

Owners can claim the credits between January 1, 1999 and December 31, 2003. They can also sell the credits during this period to any business paying corporate taxes. The revenue services commissioner must grant the businesses the credit for the amount that was initially approved for the owner.

Holders of tax credits must claim them in the same year they are issued. They can carry any unused portion of the credit forward for any or all of the next four tax years following the year it was approved.

Administration

The bill specifies the process of obtaining, selling, and claiming credits. Owners must submit a rehabilitation plan to the Connecticut Historical Commission before they begin working on the home, along with cost estimates.

The plan could be a construction plan or specifications detailing the proposed rehabilitation. Either must provide enough detail so that the commission can determine if the work complies with its standards, which it must adopt in regulations. If the plan meets these standards, the commission must calculate the credit amount based on 30% of the eligible rehabilitation costs and reserve that amount of the owner.

Within 30 days after completing the work, the owner must notify the commission. He must document that the work was completed and certify the costs. The commission must then review the work and verify that it complies with the approved rehabilitation plan. It must then issue a tax credit voucher that equals the lesser of the amount the commission initially reserved for the owner or 30% of the eligible costs actually incurred. The owner must then file the voucher with his state tax return.

Owner-Occupancy Requirement

The owner must submit additional documents to the commission if he does not intend to make the home his principal residence. Within 12 months of completing the work, he must give the commission a certification of transfer of the property and owner occupancy. The bill specifies that the commission must then issue the credit voucher. But it is not clear if the commission must do this again, since it already had to issue the voucher when the owner submitted the documents regarding the rehabilitation.

BACKGROUND

Targeted Area

The bill limits the tax credits to historic homes in targeted areas, two of which are those used by the Connecticut Housing Finance Authority (CHFA) to qualify properties under its home mortgage assistance program. CHFA must designate qualified census tracts and areas of chronic economic distress in order to comply with federal rules governing the tax-exempt bonds CHFA sells to finance the program.

The Office of Policy and Management designates urban and regional centers in the Locational Guide Map for the State Plan of Conservation and Development. State development projects costing over $100,000 must be consistent with the plan.

The following towns have areas meeting the bill's locational requirements for historic preservation tax credits: Ansonia, Bridgeport, Bristol, Danbury, Derby, East Hartford, East Haven, Enfield, Griswold, Groton, Hartford, Killingly, Manchester, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Plainfield, Shelton, Stamford, Torrington, Vernon, Waterbury, West Hartford, West Haven, and Windham.

COMMITTEE ACTION

Housing Committee

Joint Favorable Substitute Change of Reference
Yea 9 Nay 0

Planning and Development Committee

Joint Favorable Change of Reference
Yea 19 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 38 Nay 10