

HOUSE RESEARCH

Bill Summary

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Overview

This bill creates an income tax credit for the rehabilitation of historic structures equal to 25 percent of the total costs of rehabilitation on eligible projects certified by the state historic preservation office.

Section

1 Credit for historic structure rehabilitation.

Subd. 1. Definitions. Defines "certified historic structure," "eligible property," and "structure in a certified historic district" for the purposes of determining eligibility for the tax credit in this section.

Subd. 2. Credit allowed. Provides that a taxpayer incurring rehabilitation costs for an eligible property may take an income credit in an amount equal to 25 percent of the total rehabilitation costs. Eligible costs include, but are not limited to, rehabilitation expenses as defined by the Internal Revenue Service, provided that costs must exceed 50 percent of the adjusted basis in the property at the time the rehabilitation activity begins and the project meets Department of the Interior standards.

Subd. 3. Carryback and carryforward. Allows the taxpayer to carry the credit in subdivision 2 back up to three years preceding and forward up to ten years succeeding the taxable year in which the expense was incurred.

Subd. 4. Partnerships; multiple owners. Requires the partners or multiple owners to pass the credits on pro rata or pursuant to an executed agreement documenting an alternate distribution method.

Subd. 5. Process. Requires an owner of an eligible property to apply to the state historic preservation office of the Minnesota Historical Society before beginning a historic rehabilitation project. The office must determine the amount of eligible rehabilitation costs and whether the project meets the standards of the U.S. Department of the Interior, and must issue a certificate of

eligibility to the owner. The owner must attach the certificate to any income tax return for which the credit is claimed. Allows the office to charge application fees for the program, not to exceed the costs of administering the program.

Subd. 6. Mortgage certificates; credit for lending institutions. Provides that a taxpayer may elect to receive a historic rehabilitation mortgage credit certificate in lieu of a tax credit. The face amount of the certificate must be equal to the amount of the tax credit allowable for the rehabilitation project. The certificate may only be transferred to a lending institution in connection with a loan secured by the building in question, and used for the purpose of rehabilitating or purchasing the property. The certificate may be applied to reduce the principal amount, the interest rate, or the taxpayer's costs of purchasing the building. The lending institution may take the amount of the certificate as a credit against its income tax liability.

- 2 **Determination of economic impact.** Requires the Minnesota Historical Society to determine the economic impact of the program and report to the legislative committees on taxes on an annual basis.
- 3 **Effective date.** Effective for taxable years beginning after December 31, 2000.