HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2017 (H.R. 425, S. 1158) SECTION-BY-SECTION SUMMARY

SUMMARY

The Historic Tax Credit Improvement Act (H.R. 425, S.1158) makes long overdue changes to the Historic Tax Credit (IRC § 47) to further encourage building reuse and redevelopment in small, midsize, and rural communities. It also makes the rehabilitation of community projects like theaters, libraries, and schools easier while maximizing the impact of state historic tax credits. Finally, the bill would make more historic properties eligible to use the credit by updating program requirements to reflect current industry practices. These reform options would be the first major changes to the Historic Tax Credit since the Tax Reform Act of 1986.

SEC. 1 SHORT TITLE "HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2017"

SEC. 2 INCREASING THE REHABILITATION CREDIT FOR CERTAIN SMALL PROJECTS

Creates a 30% credit for smaller deals to make sure the rural west and all non-urban areas have the same ability to take advantage of the credit. This small deal credit would be capped at Qualified Rehabilitation Expenses of $2.5 million, changing the credit allowed from $500,000 to $750,000 on the largest projects.

SEC. 3 ALLOWS FOR THE TRANSFER OF CREDITS FOR CERTAIN SMALL PROJECTS

Allows the HTC, for small transactions with rehabilitation expenditures not over $2,500,000, to be transferred as a tax certificate, making these deals easier for small project owners

SEC. 4 INCREASING THE TYPE OF BUILDINGS ELIGIBLE FOR REHABILITATION

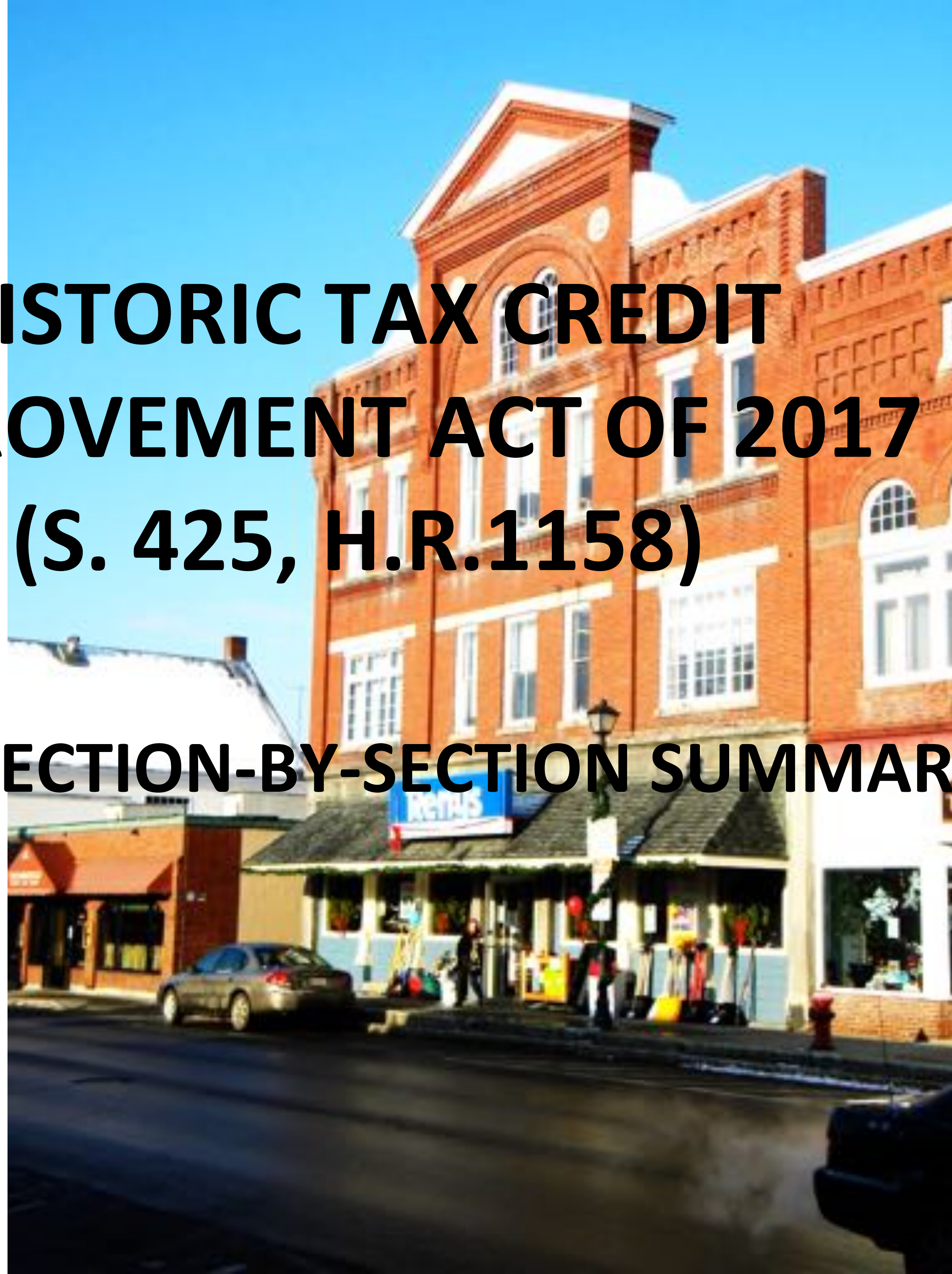
Changes the definition of substantial rehabilitation. This provision would change the threshold to qualify for the credit of 50% of adjusted basis instead of 100% of adjusted basis as the program currently requires.

SEC. 5 REDUCING BASIS ADJUSTMENT

Changes the amount of the depreciable basis adjustment from 100 percent to 50 percent of the amount of the HTC. This would place the HTC in line with renewable energy and new market tax credits. The LIHTC has no depreciable basis adjustment.

SEC. 6 MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT USE PROPERTY

This provision would modify the disqualified lease rules to limit the definition of a "disqualified lease" to those leases that are part of a sale leaseback arrangement involving a nonprofit that has used the property before certification as a historic rehabilitation. The other types of disqualified leases that inhibit the rehabilitation of these buildings: those with purchase options, leases in excess of 20 years, and leases in buildings that use tax-exempt financing, would be eliminated.



HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2017 (S. 425, H.R.1158)

SECTION-BY-SECTION SUMMARY

SEC. 2 INCREASING THE REHABILITATION CREDIT FOR CERTAIN SMALL PROJECTS

Creates a 30% credit for smaller deals to make sure the rural west and all non-urban areas have the same ability to take advantage of the credit.

This small deal credit would be capped at Qualified Rehabilitation Expenses of $2.5 million, making the credit allowed $750,000 on the largest projects.

SEC. 3 ALLOWS FOR THE TRANSFER OF CREDITS FOR CERTAIN SMALL PROJECTS

Allows the HTC, for small transactions with rehabilitation expenditures not over $2,500,000, to be transferred as a tax certificate.

This would make transferring the federal credit to someone who can use it easier for small project owners.

SEC. 4 INCREASING THE TYPE OF BUILDINGS ELIGIBLE FOR REHABILITATION

Changes the definition of substantial rehabilitation.

Adjusted basis = property purchase price – land value [the value of the building]. If previously owned, add in capital improvements and subtract prior depreciation.

This provision would change the threshold to qualify for the credit to 50% of adjusted basis, instead of 100% of adjusted basis as currently required.

SEC. 5 REDUCING BASIS ADJUSTMENT

Allows 50 percent of the amount of the HTC to be depreciated instead of 0 percent.

This would place the HTC in line with renewable energy and new market tax credits. The LIHTC has no depreciable basis adjustment.

SEC. 6 MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT USE PROPERTY.

If greater than 50% of space in an project is occupied by government or a nonprofit, the building will not qualify for an HTC if it ALSO has a "disqualified lease."

This provision would modify the definition of disqualified lease to:
those leases that are part of a sale-leaseback arrangement involving a nonprofit that has used the property before certification as a historic rehabilitation.

It would eliminate the other types of disqualified leases that currently inhibit the rehabilitation of these buildings:

- leases with purchase options
- leases in excess of 20 years
- leases in buildings that use tax-exempt financing.

Thank

Senator Susan Collins

Lead Republican Sponsor in the Senate

&

Representative Bruce Poliquin

Co-sponsor in the House

Ask

Representative Chellie Pingree (past co-sponsor)

Senator Angus King

Historic Tax Credit Projects

Current Totals

- **771** Affordable housing Units Created
- **243** Additional Affordable Units Preserved
- **1437** Total Housing Units Created & Preserved
- **$406,277,124** Total Investment in ME HTC's
- **$70,927,909** Total New Construction
- **$38,704,754** Net Assed Property Tax Value Before
- **$145,953,993** Assessed Property Tax Value After
- **= 377%: Now a profit center; paid off in 2024.**


Renys

The Future
of the Federal Tax Credit: