

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX INDIVIDUAL INCOME TAX INSURANCE PREMIUMS TAX Historic Rehabilitation Tax Credit

March 20, 2013

	Yes	No
DOR Administrative Costs/Savings		x

Department of Revenue
Analysis of H.F. 560 (Quam) /S.F. 397 (Senjem)

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
General Fund	\$0	\$0	(\$15,000)	(\$15,000)

(000's)

Effective for the day after enactment.

EXPLANATION OF THE BILL

Current Law: Both individual income and corporate franchise taxpayers plus insurance gross premium taxpayers can receive a refundable tax credit equal to 100% of the federal historic structure rehabilitation tax credit. The credit is effective beginning with tax year 2010 for costs paid under binding contracts entered into after May 1, 2010. The binding contracts must cover the entire cost of the project. If binding contracts entered into after May 1, 2010 cover only a portion of the cost a project, no credit can be claimed. The federal credit allows taxpayers to claim a tax credit equal to 20% of the cost to rehabilitate a historic building. The tax credit can be transferred to any income tax or gross premium taxpayer.

To qualify for the credit, the rehabilitation costs must exceed 100% of the property's basis before rehabilitation. As with federal law, the state tax credit is taken only on income-producing property.

In a process similar to the one used by taxpayers receiving the federal tax credit, the State Historic Preservation Office (SHPO) of the Minnesota Historical Society issues a part 3 certification on work eligible for the tax credit.

Also, taxpayers can either qualify for a grant in lieu of the credit or for a combination of tax credit and a grant. The size of the grant cannot exceed 90% of the value of the federal credit.

Authority to issue tax credit certificates and grants expires at the end of fiscal year 2015. Taxpayers are allowed to use issued credits until 2018.

Proposed Law: The bill would extend the authority to issue tax credit certificates or grants until the end of fiscal year 2022. Taxpayers are allowed to use issued credits until 2025.

REVENUE ANALYSIS DETAIL

- The bill would permit tax credits and grants to be issued for seven additional years. It is not known what qualifying projects will be completed in those years.
- If the experience in the seven additional years is similar to the current forecast of the credit and the average revenue loss is about \$15 million per year, the additional revenue loss would be \$105 million for all years.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

hf0560(sf0397)_1/dkd