Bill Analysis

Peter A. Cooper *Legislative Service Commission*

H.B. 463

123rd General Assembly

(As Reported by H. Ways & Means)

Reps. **Hollister, Tiberi, Gardner, R. Miller, Vesper, Grendell, Flannery, Trakas, Logan, Evans, Terwilleger, Bender, Schuring, Van Vyven, Barrett, Krupinski, Krebs, Mottley, Hartnett, Perry, Jerse, Distel, Barnes, Allen, Callender, Austria, Jolivette, Peterson**

BILL SUMMARY

- Allows corporations and individuals to receive refundable tax credits for all or part of their costs of rehabilitating and preserving historic property.
- Credits may be for up to $50,000 for each historic property.
- Applies to rehabilitation and preservation costs incurred in years ending in 2001 through 2004.
- The total amount of credits that may be issued each of the four years is limited to $1.5 million.

CONTENT AND OPERATION

Tax credit for historic property

(secs. 149.323, 5733.45, and 5747.64; conforming changes in other sections)

The bill allows taxpayers to claim corporation franchise and personal income tax credits for 25% of the "qualifying expenditure" incurred by the taxpayer to rehabilitate or preserve historic property owned by the taxpayer. To be eligible for the credit, a qualifying expenditure must be incurred in one of four 12-month "expenditure periods" ending on June 30 of 2001, 2002, 2003, or 2004. The total amount of credit claimed by a property owner with respect to a single historic property over that period may not exceed $50,000 (equivalent to $200,000 in qualifying rehabilitation expenditures). If historic property is owned by a partnership or other form of pass-through entity, the credit must be divided among the owners in proportion to their respective ownership interests. The credit is refundable, meaning that if the amount of credit a taxpayer is entitled to exceeds the taxpayer's year-end tax liability, the taxpayer is entitled to receive a refund for the difference.

"Qualifying expenditure"

For the purposes of the bill, a qualifying expenditure is an expenditure incurred by the owner of historic property to rehabilitate the property or to preserve the property once it has been rehabilitated. Qualifying expenditures do not include expenditures to acquire the property; to add to, expand, or enlarge the property (unless necessitated by building codes); or to modify or maintain the land surrounding the property.

"Historic property"

For the purpose of the tax credit, historic property is a building or structure in Ohio that was constructed before 1900 or that is listed on the National Register of Historic Places. The National Register of Historic Places is a register maintained by the U.S. Secretary of the Interior (through the National Park Service), and consists of "districts, sites, buildings, structures and objects significant in American history, architecture, archeology, engineering, and culture." (16 U.S.C.A. 470a.) To be listed on the National Register, property must be nominated or recommended to the National Park Service and satisfy criteria established by that agency.

Aggregate limit on credits

The total amount of qualifying expenditures for which tax credits may be issued for each of the four expenditure periods is limited to $6 million (equivalent to a maximum of $1.5 million in annual tax credits).

Application; administration

In order to receive the credit, a property owner must apply to the Bicentennial Commission for a tax credit certificate. Applications must be made on forms prescribed by the Commission. The Commission also must prescribe any information that property owners must provide to the Commission for the purpose of claiming the tax credit certificate. Applications must be filed between July 1 and October 31 following the close of the preceding July 1 to June 30 expenditure period; applications may be made only for expenditures made during the preceding expenditure period. The Commission must consider applications in the order in which they are received. If an application is incomplete or is disapproved, the Commission must notify the applicant by mail of the deficiency in the application or the reason it was disapproved. The notice must be mailed within 30 days after the Commission receives the application.

If the Commission approves an application, it must issue a tax credit certificate to the property owner by January 31 following the expenditure period. The certificate must set forth the amount of the qualifying expenditure approved by the Commission, the expenditure period during which the expenditure was incurred, and any other information required by the Tax Commissioner. Property owners subject to the corporation franchise tax must claim the tax credit in the first tax year following the end of the July 1 to June 30 period during which the expenditure is incurred. Property owners subject to the personal income tax (including individual partners and other individual owners of a pass-through entity) must claim the credit for the first taxable year ending on or after the expenditure period. The taxpayer must keep the certificate for four years (the statute of limitations for assessing most unpaid franchise or income taxes), and must make it available to the Tax Commissioner for auditing purposes.

To administer its responsibilities under the bill, the Commission's executive committee may designate staff of the Ohio Historical Society or the Department of Development.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	09-30-99	p. 1231
Reported, H. Ways & Means	09-13-00	p. 2246

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