

TITLE III—REHABILITATION TAX CREDIT

Sec. 90301. Increase in rehabilitation credit (§ 47).

This provision increases the historic rehabilitation tax credit (HTC) percentage from 20 percent to 30 percent for 2020 through 2024. The credit percentage is phased down to 26 percent in 2025, 23 percent in 2026, and returns to 20 percent in 2027 and thereafter.

Sec. 90302. Increase in the rehabilitation credit for certain small projects (§ 47).

This provision permanently increases the HTC percentage from 20 percent to 30 percent for certain smaller projects to ensure rural and non-urban areas have a better ability to take advantage of the credit. The increased small project credit would cap Qualified Rehabilitation Expenses (QREs) at \$2.5 million, or approximately \$750,000 in credits, with a provision ensuring there is not a cliff as between the small project credit and the HTC for all projects. The provision is at the election of the taxpayer to allow taxpayers to choose between the HTC and the small project credit.

Sec. 90303. Modification of definition of substantially rehabilitated (§ 47).

This provision would change the threshold to qualify for use of the HTC by reducing the rehabilitation investment from 100% to 50% of adjusted basis.

Sec. 90304. Temporary extension of period for completing rehabilitation (§ 47).

HTC-eligible projects have a limited time in which to complete their substantial rehabilitation – either 24 months or 60 months. This provision extends the 24-month-period and 60-month-period, each by 12 months, to ensure those projects impacted by the pandemic do not fail to qualify for the HTC.

Sec. 90305. Elimination of rehabilitation credit basis adjustment (§ 50).

This provision changes the amount of the depreciable basis adjustment from 100 percent to zero, eliminating the requirement that the HTC be deducted from a building's basis at the time of transfer. This change would place the HTC in line with other development credits and make it easier to use with programs like LIHTC.

Sec. 90306. Modifications regarding certain tax-exempt use property (§ 47).

This provision would amend the disqualified lease rules, making the HTC easier to access by non-profits and other tax-exempt entities. Leases disqualified under current law that inhibit the

rehabilitation of these buildings, like those with purchase options, leases in excess of 20 years, and leases in buildings that use tax-exempt financing, would be permitted. These changes would make projects like health care centers, arts organizations, community services, workforce training providers, and others better able to use the HTC.

Sec. 90307. Qualification of rehabilitation expenditures for public school buildings for rehabilitation credit (§ 47).

This provision would allow public school buildings to better use the HTC by excepting public school buildings that have been used as public schools within the past five years from certain tax-exempt use rules. In particular, the “prior use” limitations related to leases by tax-exempt entities currently prevent public school buildings from being rehabilitated using the HTC program.