REVENUE Article VII Bill
Part F
MEMORANDUM IN SUPPORT
(Senate S.2609; Assembly A.3009)

Part F: "Relating to extending the enhanced historic homeownership rehabilitation tax credit, is added to extend the sunset date of the enhanced tax credit including refundability provisions by five more years through tax year 2019."

Extend and enhance the rehabilitation tax credit for historic commercial (income-producing) properties.

Purpose: Extends the enhanced tax credit available for rehabilitation of historic commercial properties through tax years beginning before January 1, 2020. Makes necessary technical corrections to the method of determining eligible census tracts for the program.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

A state tax credit for rehabilitation of historic commercial properties has been available since 2006 for general business corporations subject to tax under Article 9-A of the Tax Law and to personal income taxpayers subject to tax under Article 22. Since 2010, this credit has also been available to banking corporations subject to tax under Article 32 and insurance corporations subject to tax under Article 33. Without legislative action as proposed in this bill, the enhanced program will sunset in 2014, returning the program to its drastically diminished 2006 format and incentive levels.

The enhanced credit is equal to 20% of the qualified rehabilitation expenses. Structures must be listed on the National Register of Historic Places and be located in a distressed census tract, defined as census tracts at or below100 percent of State Median Family Income. This targeting provision assures that the program works effectively to attract private investment to older commercial properties downtowns and "main street" districts where it is most needed. The amount of the credit is equal to 100% of the federal credit allowed under section 47 of the IRC for the same tax year for the same certified historic structure located in New York State. While the federal credit is un-capped, the total amount of New York State credit allowed cannot exceed $5 million per structure.

This bill would make the commercial credit refundable commencing in tax year 2015. Making the credit refundable will improve developer investment opportunities and attract additional in-state and out-of-state investors to rehabilitation projects incentivized by this program. Program extension would provide longer-term certainty to developers who want to plan and finance redevelopment projects involving historic buildings.

Sections one through four of the bill would also make needed technical corrections by substituting the 2006-2011 American Community Survey data for the decennial federal census data in calculating the state median family income and removing obsolete references to federal targeted area residences under Section 143(j) of the Internal Revenue Code.

Since expansion in 2010, the NYS Historic Homeowner Tax Credit has generated $21.5 million in private rehabilitation investment in owner-occupied historic homes in 39 counties and 58 municipalities across New York State. This program attracts reinvestment back to historic housing stock in older residential neighborhoods, attracts reinvestment to existing infrastructure, thereby preserving farmland and open space, serves to increase the tax base of local municipalities, and generates significant sales tax revenues through the purchase of materials and equipment. National studies indicate that such rehabilitation activities outperform the economic impacts of new home construction by a 2:1 margin.

Budget Implications:
Enactment of this bill, while reducing tax revenues by $20 million in SFY 2016-2017 and $30 million annually in each of the next four fiscal years, Their score for this legislation does not account for economic stimulus and job growth generated by this rehabilitation work, nor for increased payroll or sales tax revenues to New York State, or increased local tax revenues generated by property reassessments.

Effective Date:
This bill would take effect immediately and applies to taxable years beginning on and after January 1, 2013. The program extension provided by this bill would extend the enhanced program from 12/31/2014 through 12/31/2019.