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WAYS AND MEANS

HOUSE FILE

482

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and DOLECHECK

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing an individual and corporate income tax credit
2 for the rehabilitation of certain eligible commercial and
3 residential property and barns.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 482

1 Section 1. NEW SECTION. 404A.1 PROPERTY REHABILITATION
2 TAX CREDIT -- ELIGIBLE PROPERTY.

3 1. A property rehabilitation tax credit is granted against
4 the income tax imposed under chapter 422, division II or
5 division III for the rehabilitation of eligible property
6 located in this state as provided in this chapter. Tax
7 credits in excess of tax liabilities may be carried forward
8 for up to seven years or back for up to three years.

9 2. Eligible property for which a taxpayer may receive the
10 property rehabilitation tax credit computed under this chapter
11 includes all of the following:

12 a. Property constructed prior to 1935 which is located in
13 a HUD eligible area.

14 b. Property located outside of HUD eligible areas and that
15 meets any of the following:

16 (1) Is listed on the national register of historic places
17 or is eligible for such listing.

18 (2) Is designated as of historic significance to a
19 district listed in the national register of historic places or
20 is eligible for such designation.

21 (3) Is located in a historical preservation district as
22 defined in section 303.20.

23 (4) Is designated a local landmark by a city or county
24 ordinance.

25 (5) Is a barn constructed prior to 1935.

26 3. For purposes of this section, "HUD eligible area" means
27 an impoverished area in an entitlement city as designated by
28 the United States department of housing and urban development.

29 Sec. 2. NEW SECTION. 404A.2 AMOUNT OF CREDIT.

30 The amount of the credit equals twenty-five percent of the
31 qualified rehabilitation costs made to eligible property. In
32 the case of commercial property, rehabilitation costs must
33 equal at least fifty percent of the assessed value of the
34 property, excluding the land. In the case of residential
35 property or barns, the rehabilitation costs must equal at last

1 ten thousand dollars or fifteen percent of the fair market
2 value, excluding the land, whichever is less. In computing
3 the tax credit for eligible property that is classified as
4 residential or as commercial with multi-family residential
5 units, the rehabilitation costs used shall not exceed one
6 hundred twenty thousand dollars per residential unit. In
7 computing the tax credit, the only costs which may be included
8 are the rehabilitation costs incurred between the period
9 ending on the project completion date and beginning on the
10 later of either the date of issuance of the approval of the
11 project as provided in section 404A.3 or two years prior to
12 the project completion date.

13 Sec. 3. NEW SECTION. 404A.3 APPROVAL OF REHABILITATION
14 PROJECT.

15 1. a. In order for costs of a rehabilitation project to
16 qualify for a tax credit, the rehabilitation project must
17 receive approval from all of the following bodies:

18 (1) The governing bodies of the city, council, and council
19 of governments in which the eligible property exists and which
20 has established approved selection criteria and standards for
21 rehabilitation projects involving eligible property.

22 (2) The department of economic development.

23 b. Applications for approvals from the department and the
24 appropriate governing bodies shall be on forms approved by the
25 department and shall contain information as required by the
26 department. The information shall at least include the
27 approximate date of the start of rehabilitation, the
28 approximate date of completion, as well as the cost.

29 2. The governing body of a city, county, or council of
30 governments may establish selection criteria and standards for
31 rehabilitation projects involving eligible property. If
32 standards are established, the main emphasis of the standards
33 shall be to ensure that a rehabilitation project maintains the
34 integrity of the eligible property. To the extent applicable,
35 the standards shall be consistent with the standards of the

1 United States secretary of the interior for rehabilitation of
2 eligible property that is listed on the national register of
3 historic places or is designated as of historic significance
4 to a district listed in the national register of historic
5 places shall be consistent with standards for issuance of
6 certificates of appropriation under sections 303.27 through
7 303.32. Upon establishing selection criteria and standards,
8 the governing body shall seek approval from the department of
9 economic development. Until a governing body's selection
10 criteria and project standards have been approved by the
11 department, a rehabilitation project on eligible property
12 within the jurisdiction of the governing body does not need
13 the approval of that governing body for the project to receive
14 the tax credit. However, if construction on the project has
15 not begun within sixty days of receiving the approval of the
16 department, the project must meet the standards of a governing
17 body if the governing body's standards have received
18 department approval within that sixty-day period.

19 Sec. 4. NEW SECTION. 404A.4 PROJECT COMPLETION AND TAX
20 CREDIT CERTIFICATION -- CREDIT TRANSFER.

21 1. Upon completion of the rehabilitation project, a
22 certification of completion must be obtained from each of the
23 bodies which approved the project. The governing bodies each
24 shall determine that the project is actually complete and was
25 done according to the approved standards of each governing
26 body. Each governing body may issue a separate certificate of
27 completion or all of the governing bodies may issue a joint
28 certificate of completion. A completion certificate shall
29 identify the person claiming the tax credit under this chapter
30 and the rehabilitation costs incurred up to the two years
31 preceding the completion date.

32 2. Upon receipt of all separate certificates of completion
33 or a joint certificate of completion, the person claiming the
34 tax credit under this chapter shall present the completion
35 certificates or certificate to the department of economic

1 development. After verifying the eligibility for the tax
2 credit, the department shall issue a property rehabilitation
3 tax credit certificate to be attached to the person's tax
4 return. The tax credit certificate shall contain the
5 taxpayer's name, address, tax identification number, the date
6 of project completion, the amount of credit, other information
7 required by the department of revenue and finance, and a place
8 for the name and tax identification number of any transferee
9 and the amount of the tax credit being transferred.

10 3. A person receiving a property rehabilitation tax credit
11 under this chapter may transfer all or a portion of the unused
12 tax credit to any other person. The transferee may use the
13 amount of the tax credit transferred against the taxes imposed
14 under chapter 422, divisions II and III, for any tax year the
15 original transferor could have claimed the credit. Any
16 consideration received for the transfer of the tax credit
17 shall not be included as income under chapter 422, divisions
18 II and III. Any consideration paid for the transfer of the
19 tax credit shall not be deducted from income under chapter
20 422, divisions II and III.

21 Sec. 5. NEW SECTION. 404A.5 ECONOMIC IMPACT --
22 RECOMMENDATIONS.

23 The department of economic development shall be responsible
24 for keeping the general assembly and the legislative fiscal
25 bureau informed on the overall economic impact to the state of
26 the rehabilitation of eligible properties. An annual report
27 shall be filed which shall include, but is not limited to,
28 data on the number and potential value of rehabilitation
29 projects begun during the latest twelve-month period, the
30 total property rehabilitation tax credits originally granted
31 during that period, the potential reduction in state tax
32 revenues as a result of all tax credits still unused, and the
33 potential increase in local property tax revenues as a result
34 of the rehabilitated projects. The department, to the extent
35 it is able, shall provide recommendations on whether a limit

1 on tax credits should be established, the need for a broader
2 or more restrictive definition of eligible property, and other
3 adjustments to the tax credits under this chapter.

4 Sec. 6. NEW SECTION. 422.11D PROPERTY REHABILITATION TAX
5 CREDIT.

6 1. The taxes imposed under this division, less the credits
7 allowed under sections 422.12 and 422.12B, shall be reduced by
8 a property rehabilitation tax credit equal to the amount as
9 computed under chapter 404A for rehabilitating eligible
10 property. Any credit in excess of the tax liability is
11 nonrefundable and may be carried forward for up to seven tax
12 years or backward up to three tax years.

13 2. An individual may claim a property rehabilitation tax
14 credit allowed a partnership, limited liability company, S
15 corporation, estate, or trust electing to have the income
16 taxed directly to the individual. The amount claimed by the
17 individual shall be based upon the pro rata share of the
18 individual's earnings of a partnership, limited liability
19 company, S corporation, estate, or trust.

20 3. However, if the original taxpayer who receives the
21 property rehabilitation tax credit transfers all or a portion
22 of the tax credit, any transferee shall only be entitled to
23 use the amount of the tax credit transferred for a tax year
24 for which the original taxpayer could have claimed the credit.

25 4. For purposes of this section, "eligible property" means
26 the same as used in section 404A.1.

27 Sec. 7. Section 422.33, Code 1999, is amended by adding
28 the following new subsection:

29 NEW SUBSECTION. 8. a. The taxes imposed under this
30 division shall be reduced by a property rehabilitation tax
31 credit equal to the amount as computed under chapter 404A for
32 rehabilitating eligible property. Any credit in excess of the
33 tax liability is nonrefundable but may be carried forward for
34 up to seven tax years or backward up to three tax years.

35 b. However, if the original taxpayer who receives the

1 property rehabilitation tax credit transfers all or a portion
2 of the tax credit, any transferee shall only be entitled to
3 use the amount of the tax credit transferred for a tax year
4 for which the original taxpayer could have claimed the credit.

5 c. For purposes of this subsection, "eligible property"
6 means the same as used in section 404A.1.

7 EXPLANATION

8 The bill provides for an individual and corporate income
9 tax credit equal to 25 percent of the costs of rehabilitating
10 eligible properties. Eligible properties are properties
11 constructed prior to 1935 in HUD eligible areas; properties
12 located out of HUD eligible areas which are listed or eligible
13 to be listed on the national register of historic properties,
14 a contributing element in a local historic district, or a
15 local landmark; or a barn constructed prior to 1935. In the
16 case of commercial property, rehabilitation costs must equal
17 at least 50 percent of the assessed value of the property,
18 excluding the land. In the case of residential property or
19 barns, the rehabilitation costs must equal at least \$10,000 or
20 15 percent of the fair market value, excluding the land,
21 whichever is less. In addition, the rehabilitation project
22 must be approved by the governing body of the city, county,
23 and councils of government in which the property is located if
24 the governing bodies have established rehabilitation standards
25 and selection criteria which have been approved by the
26 department of economic development.

27 The tax credits may be carried forward seven years or
28 carried back three tax years. In addition, the taxpayer may
29 transfer to another any unused tax credit to be applied to the
30 individual or corporate income tax of the transferee.

31 The department of economic development is responsible for
32 keeping the general assembly and legislative fiscal bureau
33 appraised of the overall economic impact of the tax credit as
34 it relates to rehabilitation to eligible properties.

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