

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** R. Lee Ware, Jr.

2. **Bill Number** HB 2459

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Senate Finance

4. **Title** Historic Rehabilitation Tax Credit

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would expand the Historic Rehabilitation Tax Credit to include eligible expenses for the restoration of a historic home of a United States President. The bill would be effective for any material restoration completed on or after January 1, 2005.

6. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

According to the Department of Historic Resources, there are 20 presidential homes in Virginia. Only 11 have been designated as historic landmarks and only 5 of those have not been restored. There are 4 other presidential homes that could be designated as a historic landmark.

Currently, only one presidential home, Montpelier, is undergoing a restoration. Restoration of Montpelier is not expected to be completed until 2008 and would not trigger eligible credit until it is completed. However, because it is not known whether restoration work will start at other Virginia presidential homes, the annual negative revenue impact of this bill on General Fund revenue is unknown.

The Department would incur minimal costs to implement this bill.

9. Specific agency or political subdivisions affected:

Department of Historic Resources
Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Current Law

The Historic Rehabilitation Tax Credit can be claimed against individual income tax, estate and trust income tax, corporate income tax, bank franchise tax, gross premiums tax, or license tax imposed on certain utilities. The credit amount is based on a percentage of eligible expense incurred in the material rehabilitation of a certified historic structure. To claim the credit, the taxpayer must apply to the Department of Historic Resources. The Department of Historic Resources determines the amount of eligible rehabilitation expenses and issues a certificate to the taxpayer. Currently, the credit has a carryover period of 10 years.

Proposed Change

Under this bill, the Historic Rehabilitation Tax Credit would be expanded to include eligible expenses for the restoration of a historic home of a United States President. The bill would be effective for any material restoration completed on or after January 1, 2005.

Work is currently being done on two presidential homes, Montpelier and Poplar Forest. Under federal regulations, Montpelier is classified as a restoration and Poplar Forest as a reconstruction. Under the language of this bill, only expenses incurred for the restoration of Montpelier would qualify for the credit. If it is the intent of this bill to encourage rehabilitation, restoration, and reconstruction of historic presidential homes, an amendment in the nature of a substitute would be required.

cc : Secretary of Finance

Date: 2/10/2005 AMS
HB2459FE161