

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Jeffrey M. Bourne

3. **Committee** House Finance

4. **Title** Historic Rehabilitation Tax Credit; Use for
Historic School Buildings

2. **Bill Number** HB 2109

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would extend the Historic Rehabilitation Tax Credit to include improvements to or reconstruction of a historic school building. "Historic school building" would be defined as a structure that is a certified historic structure or a structure that is at least 50 years old and is a public school or is to be used as a public school for students in grades K through 12.

This bill would be effective for school rehabilitation projects certified by the Department of Historic Resources on and after January 1, 2023.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") and the Department of Historic Resources consider implementation of this bill as routine and do not require additional funding.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2024. It is unknown how many taxpayers would be eligible to claim credits associated with improvements to or reconstruction of a historic school building, as authorized by this bill.

9. **Specific agency or political subdivisions affected:**

Department of Taxation

Department of Historic Resources

10. **Technical amendment necessary:** No.

11. Other comments:

Virginia Historic Rehabilitation Tax Credit

Under current Virginia law, a taxpayer with eligible expenses in the rehabilitation of a certified historic structure is entitled to claim a tax credit. The credit is equal to 25 percent of rehabilitation expenses for projects completed in 2000 and thereafter. To qualify for the tax credit, the cost of the rehabilitation must equal to at least 50 percent (or 25 percent if the building is owner occupied) of the assessed value of the building for local real estate tax purposes prior to the rehabilitation. The rehabilitation work must be certified by the Department of Historic Resources ("DHR") and be consistent with the Secretary of the Interior's standards for rehabilitation. The allowable tax credit may not exceed a taxpayer's tax liability. Any unused credits may be carried forward for up to ten years. Currently, there is no per project limitation or state-wide annual cap on the amount of tax credits that may be issued or claimed.

As originally enacted during the 1996 Session, the credit could only be claimed against individual, fiduciary, and corporate income taxes. During the 1998 Session, legislation was enacted to expand the credit to apply against the bank franchise tax, the insurance premium license tax, and the tax on public service corporations.

During the 2017 Session, the General Assembly enacted legislation that limited the amount of the Historic Rehabilitation Tax Credit that may be claimed by each taxpayer to \$5 million, including any amounts carried over from prior taxable years. This limitation was permanently extended during the 2019 Session.

Proposed Legislation

This bill would extend the historic rehabilitation tax credit to include improvements to or reconstruction of a historic school building.

"Historic school building" would be defined as a structure that is a certified historic structure or a structure that is at least 50 years old and is a public school or is to be used as a public school for students in grades K through 12.

"School rehabilitation" would be defined as improvements to or reconstruction of a historic school building which are consistent with the Secretary of the Interior's Standards for Rehabilitation. "School rehabilitation" includes repairs or renovations to windows, doors, structural features, or other projects that are consistent with such standards.

This bill would be effective for taxable years beginning on and after January 1, 2023.

Similar Legislation

House Bill 1668 and **Senate Bill 1066** would increase the maximum amount of the Historic Rehabilitation Tax Credit that a taxpayer may claim per taxable year from \$5 million to \$10 million, and an additional \$10 million for expenses incurred for the rehabilitation of a certified historic structure in a locality that has a designated enterprise zone.

House Bill 2064 would increase the maximum amount of the Historic Rehabilitation Tax Credit that a taxpayer may claim per taxable year from \$5 million to \$10 million.

cc : Secretary of Finance

Date: 1/26/2023 JLOF
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