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Revamped Federal Rehab Credit Would Incorporate Energy-Efficiency Incentives to Increase Sustainability of Older and Historic Buildings

Eight Amendments Address Issues of Transferability, Substantial Rehabilitation Test Requirements, and Using Federal Credit with State Rehab Tax Credits

FEDERAL UPDATE

Community Restoration and Revitalization Act Reintroduced with Proposed Amendments to Federal Rehab Tax Credit

Rep. Allyson Schwartz (D-PA) introduced a revamped version of the “Community Restoration and Revitalization Act” (CRRRA) that proposes to significantly expand the scope of the existing federal rehabilitation tax credit for older and historic buildings on October 1st. The CRRRA will generally make it easier to use the rehab tax credits for smaller rehab projects and moderate rehabilitation; rehabilitate commercial structures for use as residential rental property; lease rehabilitated property to tax-exempt entities; establish a common definition of older buildings; fund and incentivize energy-efficiency retrofits of historic properties; allow the transferability of credits to another taxpayer; and, use the federal rehab credits in combination with state historic tax credits.

The new bill proposes eight specific amendments to the existing rehabilitation tax credit that would do the following:

1. Increase the historic tax credit from 20 to 30 percent for “small projects” with \$5 million or less in qualified rehabilitation expenditures.
2. Permit the 10 percent non-historic credit for older buildings to be used for rehabilitating residential rental property.
3. Establish and use a common definition of an older building as one that is at least 50-years-old in determining eligibility for the 10 percent non-historic credit.
4. Allow for certain leasing arrangements with non-profits and other tax-exempt entities that are now precluded under current law.
5. Allowing building owners who are in the process of rehabilitation historic buildings to achieve substantial energy savings through energy-efficiency retrofits by allowing graduated increases in the historic credit based on a scale of energy efficiencies achieved.
6. Allow for the transfer of historic tax credits to another taxpayer for projects under \$5 million in qualified rehabilitation costs.
7. Allow for moderate rehabilitation by reducing by half the “substantial rehabilitation” test requirements under current law.
8. Specify that state historic tax credits should not be considered as federal income for tax purposes or trigger any recapture of income.

For more specifics on these individual amendments, please visit <http://www.preservationnation.org/issues/rehabilitation-tax-credits/federal/proposed-amendments.html>.

Historic Homeowners Tax Credit Bill Introduced

Rep. Russ Carnahan (D-MO), Co-Chair of the Congressional Historic Preservation Caucus, introduced the “Historic Homeowners Revitalization Act

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Historic Homeowners' Tax Credit Bill Revived with Increased Cap of \$60K Per Project and Option for Developers to Claim Rehab Credit for Homes Sold as a Principal Residence

Senate Climate Change Bill Would Address Key Areas of Smart Growth, Energy Efficiency, Buildings Codes and Green Jobs for Historic Preservation and Rehabilitation

of 2009" (HHRA) on October 1st. Caucus Co-Chair Michael Turner (R-OH) and Allyson Schwartz (D-PA), the sponsor of the Community Restoration and Revitalization, co-sponsored the measure at introduction. Other original cosponsors of the HHRA include Reps. Shelley Berkley (D-NV), Joe Crowley (D-NY), Maurice Hinchey (D-NY), Jim Langevin (D-RI), Steve Cohen (D-TN), Chris Van Hollen (D-MD), Ike Skelton (D-MO), Earl Blumenauer (D-OR), and Michael Capuano (D-MA).

Reintroduced from 110th Congress, the HHRA is a version of a measure that the National Trust helped draft for introduction by former Congressman Mike Andrews (D-TX) along with former Reps. Barbara Kennelly (D-CT) and Clay Shaw (R-FL) back in 1994. It would amend the tax code to provide owners of historic homes with a rehabilitation incentive similar to the historic tax credit for commercial buildings.

Specifically, the HHRA bill would create a new, non-refundable 20 percent tax credit — up to \$60,000 per project — on qualified rehabilitations for owners who occupy historic their homes. The taxpayer, to be eligible, must make qualified rehabilitation expenditures over a two-year period that exceed the greater of \$5,000 or the taxpayer's basis in the property and must use the home as a principal residence. The credit is also available for developers who rehabilitate homes sold to buyers as a principal residence. Costs to enlarge dwellings are not eligible. Combining this credit with applicable state historic credits would be permissible to provide an even deeper rehabilitation incentive. Low-income homeowners with limited tax liability would be able to transfer the credit by selling it. Taxpayers also could use the proceeds for the equity needed by a bank to enable them to finance rehabilitation work on their home.

To read the complete text of the HHRA, please visit http://www.preservationnation.org/take-action/advocacy-center/additional-resources/Historic_Homeowner_Revitalization_Act_2009.PDF.

Senate Climate Change Bill Offers Numerous Opportunities for Historic Preservation

The Senate released its draft version of the climate change bill on September 30th which could affect historic preservation in the key areas of smart growth, energy efficiency, building codes and the creation of green jobs for restoration work. The bill includes many elements of the House-passed bill — H.R. 2454, the "American Clean Energy Security Act of 2009" (ACES) — which passed on June 26th.

However, the Senate bill in particular places a high premium in the following areas important to historic preservation:

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REEP Provisions from House Bill Included in Senate Draft Bill

- Location Efficiency - the Senate bill calls for updates to zoning and other land use regulations and plans to support development that coordinates transportation and land use planning that focuses future growth close to existing and planned job centers and public facilities as well as use of existing infrastructure.
- National Building Codes - as in the House-passed bill, the Senate bill poses another challenge and opportunity for historic preservation to advocate for the inclusion of performance based standards as an alternative to prescriptive codes in the establishment *of a national building code*.
- Retrofit for Energy and Environmental Performance (REEP) program - The Senate bill also includes the REEP provisions in the House bill that provides a 120 percent boost in incentives for achieving energy-efficiency goals through retrofits of existing homes and buildings.
- Green Job Training - The Senate bill provides for a Energy Efficiency and Renewable Energy Worker Training Fund that would “place an emphasis on facilitating collaboration between the renewable energy industry and job training programs and on identifying industry and technological trends and best practices to better help job training programs maintain quality and relevance.” This aspect of the Senate bill could help spur job training in the retrofit industry that specializes in historic buildings, which will require specialized skills to accommodate preservation needs and promote quality rehabilitation.

There are many aspects of the House and Senate bills that deserve the attention and scrutiny of preservationists because of the effect they would have on older and historic structures. The National Trust is continuing to monitor and advocate for provisions in both the House and Senate that will benefit older and historic structures while meeting the energy efficiency goals in any final legislative package.

The Senate is expected to mark up its version of the climate change/energy bill either the week of October 12th or October 19th.

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