SENATE STATE GOVERNMENT, WAGERING, TOURISM & HISTORIC PRESERVATION COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 2031 and 1740

STATE OF NEW JERSEY

DATED: OCTOBER 18, 2018

The Senate State Government, Wagering, Tourism and Historic Preservation Committee reports favorably a Senate Committee Substitute for Senate Bill Nos. 2031 and 1740.

This bill establishes the "Historic Property Reinvestment Act." The bill provides tax credits for part of the cost of rehabilitating historic properties in this State. The bill creates two tax credits for up to 25 percent of the taxpayer's outlay for rehabilitating a historic property: one for homeowners, which is capped at $25,000 per property during a ten-year period; and one for businesses, which is not capped. The homeowners' tax credit applies against homeowners' gross income tax liabilities, while the businesses' tax credit applies against businesses' corporation business tax and insurance premium tax liabilities. If a taxpayer's liability is insufficient to take full advantage of the credit, the bill allows the taxpayer to sell the credit through a tax credit transfer certificate program to be established by the State Historic Preservation Officer (SHPO) and the Director of the Division of Taxation in the Department of the Treasury. To qualify for the homeowner or business tax credits provided in this bill, a property to be rehabilitated must be:

(1) (a) individually listed (or located in a district listed) on the National Register of Historic Places or the New Jersey Register of Historic Places, or designated (or located in a district designated) by the Pinelands Commission as a historic resource of significance to the Pinelands; and (b) if located within a district, certified by either the SHPO or the Pinelands Commission as contributing to the district's historic significance; or

(2) (a) individually identified (or located in a district composed of properties identified) for protection as a significant resource in accordance with criteria established by the appropriate municipality and approved by the SHPO; and (b) if located within a district, certified by the SHPO as contributing to the district's historic significance.

A homeowner seeking a tax credit must spend no more than 60 percent of the cost of rehabilitation on interior rehabilitation and must own and occupy the qualified property as the homeowner's principal residence for twelve consecutive months following the completion of the rehabilitation. Moreover, rehabilitation expenditures must be at least 50 percent of the equalized assessed value of the structure for local real estate tax purposes as indicated on the most recent property tax bill for the property prior to the start of the rehabilitation.

A business seeking the tax credit, to the contrary, must, during a selected 24-month or 60-month rehabilitation period, as provided in the bill, have eligible rehabilitation expenditures of the greater of $5,000 or the property's adjusted basis of the structure used for federal income tax purposes.

The bill provides that the cumulative amount of tax credits approved cannot exceed $15 million in the first fiscal year, $25 million in the second fiscal year, $40 million in the third fiscal year, and $50 million in the fourth fiscal year and thereafter. The bill requires that in any fiscal year in which tax credits are issued, at least 25 percent of the total monetary amount of tax credits approved be granted for the rehabilitation of qualified properties by homeowners and at least 65 percent of the total monetary amount of tax credits approved be granted for the rehabilitation of qualified properties by business entities.

The bill requires the SHPO, in consultation with the director, to prepare and submit a written report to the Governor and the Legislature on or before December 31st of the fourth year following the bill's effective date. The reports would detail the number and total monetary amount of tax credits granted for the rehabilitation of qualified properties, the geographical distribution of the credits granted, a summary of the tax credit transfer program, an evaluation of the effectiveness of the tax credits in promoting the rehabilitation of historic properties, recommendations for administrative or legislative changes to increase the effectiveness of the program, and any other information that the officer or the director may deem useful or appropriate.