

ASSEMBLY, No. 2987

STATE OF NEW JERSEY

INTRODUCED MAY 12, 1997

By Assemblymen ARNONE, GUSCIORA, Corodemus, Romano, Asselta, Gibson, T. Smith, Green, Wisniewski, Impreveduto, Assemblywoman J. Smith, Assemblymen Dalton, Jones, O'Toole, Chatzidakis, DiGaetano, Caraballo, Stanley, Suliga, Geist, Wolfe, Malone, Holzapfel, Bateman, Bagger, Weingarten, Rocco, Assemblywoman Farragher, Assemblymen Garcia, DeSopo, Blee, LeFevre, Assemblywomen Friscia, Quigley, Assemblymen Greenwald, Doria, Azzolina, Barnes, Assemblywoman Turner, Assemblyman R. Smith, Assemblywoman Pou, Assemblymen Charles and Kelly

1 AN ACT providing a credit against the gross income tax and the
2 corporation business tax for certain costs of rehabilitating historic
3 properties, supplementing chapter 4 of Title 54A of the New Jersey
4 Statutes and P.L.1945, c.162 (C.54:10A-1 et seq.).

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. This act shall be known and may be cited as "The Historic
10 Property Reinvestment Act."

11
12 2. a. As used in this section:

13 "Cost of rehabilitation" means the consideration given, valued in
14 money whether given in money or otherwise, for the materials and
15 services which constitute the rehabilitation.

16 "Property" means a structure, including its site improvements and
17 landscape features, assessed as real property, and used for a
18 residential purpose or commercial purpose, or both.

19 "Qualified property" means a property that is:

20 (1) located in a municipality as defined in this section;

21 (2) owned and occupied for a period of twelve consecutive months
22 either prior to rehabilitation or following the completion of the
23 rehabilitation, or both, as the taxpayer's principal place of residence
24 or as the principal place where the taxpayer conducts a business,
25 financial operation or venture, or both;

26 (3) (a) (i) individually listed, or located in a district listed, on the
27 National Register of Historic Places in accordance with the "National
28 Historic Preservation Act," Pub.L. 89-665 (16 U.S.C. §470 et seq.),

1 or on the New Jersey Register of Historic Places pursuant to
2 P.L.1970, c.268 (C.13:1B-15.128 et seq.), and

3 (ii) if located within a district, certified by the State Historic
4 Preservation Officer as contributing to the historic significance of the
5 district; or

6 (b) (i) individually identified or registered, or located in a district
7 composed of properties identified or registered, for protection as
8 significant historic resources in accordance with criteria established by
9 a municipality in which the property or district is located if the criteria
10 for identification or registration has been approved by the State
11 Historic Preservation Officer as suitable for substantially achieving the
12 purpose of preserving and rehabilitating buildings of historic
13 significance within the jurisdiction of the municipality, and

14 (ii) if located within a district, certified by the State Historic
15 Preservation Officer as contributing to the historic significance of the
16 district.

17 "Rehabilitation of the interior of a qualified property" means the
18 repair or reconstruction of the structural or substrate components and
19 electrical, plumbing, and heating components within the interior of a
20 qualified property.

21 "Rehabilitation" means the repair or reconstruction of the exterior
22 or interior of a qualified property to make an efficient contemporary
23 use possible while preserving the portions or features of the property
24 that have significant historical, architectural and cultural values.

25 "State Historic Preservation Officer" means the official within the
26 State designated by the Governor or by statute in accordance with the
27 provisions of the "National Historic Preservation Act," Pub.L.89-665
28 (16 U.S.C.§470 et seq.), to act as liaison for the purpose of
29 administering historic preservation programs in the State.

30 "Municipality" means a municipality ranked among the first 100
31 municipalities on the Municipal Distress Index which index is
32 complete and in effect at the time the actual physical components of
33 the rehabilitation are commenced

34 "Municipal Distress Index" means the ranking of municipalities
35 compiled by the State according to certain variables, which variables
36 were designated in 1979 by the Governor's Committee of Mayors, to
37 measure diverse aspects of social, economic, physical and fiscal
38 conditions in each locality.

39 b. A taxpayer shall be allowed a credit against the tax otherwise
40 due pursuant to N.J.S.54A:1-1 et seq. for 25 percent of the cost of
41 rehabilitation paid by the taxpayer for the rehabilitation of a qualified
42 property. If a qualified property is owned by more than one taxpayer,
43 each taxpayer owner shall be allowed a credit against the tax
44 otherwise due pursuant to N.J.S.54A:1-1 et seq. for 25 percent of the
45 cost of the rehabilitation actually paid by the taxpayer. For the
46 purpose of calculating the amount of credit, no more than 40 percent

1 of the cost of rehabilitation shall be attributable to the cost for the
2 rehabilitation of the interior of the qualified property.

3 If the taxpayer is a partner in a partnership, a member of an
4 association or a shareholder in a New Jersey S corporation, the credit
5 shall be allocated to each partner of the partnership, member of the
6 association or shareholder in the New Jersey S corporation in
7 proportion to the partner's, member's or shareholder's share of the
8 income or gain received by the partnership, association or New Jersey
9 S corporation for its taxable year ending within or with the partner's,
10 member's or shareholder's taxable year.

11 c. The amount of the credit shall be applied during the taxable year
12 in which the final payment for the cost of the rehabilitation is made by
13 the taxpayer against any tax liability otherwise due after any other
14 credits permitted pursuant to law have been applied. If the credit
15 reduces the taxpayer's tax liability to zero, the remaining amount of the
16 credit shall not be considered an overpayment of the tax. If the
17 amount of the credit otherwise allowable under this section in a
18 taxable year exceeds the tax liability for the taxable year, the amount
19 that exceeds the tax liability may be carried over for credit against the
20 tax liability of the taxpayer in the next two taxable years or until the
21 full credit is used, whichever occurs first.

22 d. The total credit taken by a taxpayer, including any carryforward
23 credit, within any ten year period for the cost of rehabilitation of a
24 qualified property shall not exceed \$5,000. If more than one taxpayer
25 takes a credit for the cost of rehabilitation of a qualified property, the
26 total of the credits taken by all taxpayers for rehabilitation of that
27 qualified property, including carryforward credits, within any ten year
28 period shall not exceed \$5,000.

29 e. To claim the credit authorized under this section, a taxpayer
30 shall apply to the State Historic Preservation officer for certification
31 of credit eligibility. The officer shall certify to the Division of
32 Taxation the total cost of rehabilitation, that the property meets the
33 definition of qualified property, that no more than 40 percent of the
34 cost of rehabilitation which will be used to calculate the credit is for
35 the rehabilitation of the interior of the qualified property and that the
36 rehabilitation has been completed in substantial compliance with the
37 requirements of the Secretary of the Interior's Standards of
38 Rehabilitation, 35 C.F.R. §67.7 (1995). The taxpayer shall attach the
39 certification to the gross income tax return on which the credit is
40 claimed.

41 f. If a taxpayer who is eligible for the credit provided by this
42 section sells the qualified property before receiving any or all of the
43 credit allowed, the succeeding owner of the qualified property shall
44 be allowed a credit against the tax otherwise due pursuant to
45 N.J.S.54A:1-1 et. seq. to the extent of the amount of the credit,
46 either total or partial, not taken by the taxpayer who paid for the cost

1 of rehabilitation, in the same manner as the credit could have been
2 taken by that original taxpayer.

3 g. The director shall, in consultation with the Commissioner of the
4 Department of Environmental Protection, promulgate rules and
5 regulations in accordance with the "Administrative Procedure Act,"
6 P.L.1968, c.410 (C.52:14B-1 et seq.), as are deemed necessary to
7 administer the provisions of this act.

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9 3. a. As used in this section:

10 "Cost of rehabilitation" means the consideration given, valued in
11 money whether given in money or otherwise, for the materials and
12 services which constitute the rehabilitation.

13 "Property" means a structure, including its site improvements and
14 landscape features, assessed as real property, and used for a
15 commercial purpose or both a residential and commercial purpose.

16 "Qualified property" means a property that is:

17 (1) located in a municipality as defined in this section;

18 (2) occupied for a period of twelve consecutive months either prior
19 to rehabilitation or following the completion of the rehabilitation, or
20 both, as the principal place where the taxpayer conducts a business,
21 financial operation, or commercial venture;

22 (3) (a) (i) individually listed, or located in a district listed, on the
23 National Register of Historic Places in accordance with the "National
24 Historic Preservation Act," Pub.L.89-665 (16 U.S.C. §470 et seq.),
25 or on the New Jersey Register of Historic Places pursuant to
26 P.L.1970, c.268 (C.13:1B-15.128 et seq.), and

27 (ii) if located within a district, certified by the State Historic
28 Preservation Officer as contributing to the historic significance of the
29 district; or

30 (b) (i) individually identified or registered, or located in a district
31 composed of properties identified or registered, for protection as
32 significant historic resources in accordance with criteria established by
33 a municipality in which the property or district is located if the criteria
34 for identification or registration has been approved by the State
35 Historic Preservation Officer as suitable for substantially achieving the
36 purpose of preserving and rehabilitating buildings of historic
37 significance within the jurisdiction of the municipality, and

38 (ii) if located within a district, certified by the State Historic
39 Preservation Officer as contributing to the historic significance of the
40 district.

41 "Rehabilitation of the interior of a qualified property" means the
42 repair or reconstruction of the structural or substrate components and
43 electrical, plumbing, and heating components within the interior of a
44 qualified property.

45 "Rehabilitation" means the repair or reconstruction of the exterior
46 or interior of a qualified property to make an efficient contemporary

1 use possible while preserving the portions or features of the property
2 that have significant historical, architectural and cultural values.

3 "State Historic Preservation Officer" means the official within the
4 State designated by the Governor or by statute in accordance with the
5 provisions of the "National Historic Preservation Act," Pub.L.89-665
6 (16 U.S.C.§470 et seq.), to act as liaison for the purpose of
7 administering historic preservation programs in the State.

8 "Municipality" means a municipality ranked among the first 100
9 municipalities on the Municipal Distress Index which index is complete
10 and in effect at the time the actual physical components of the
11 rehabilitation are commenced

12 "Municipal Distress Index" means the ranking of municipalities
13 compiled by the State according to certain variables, which variables
14 were designated in 1979 by the Governor's Committee of Mayors, to
15 measure diverse aspects of social, economic, physical and fiscal
16 conditions in each locality.

17 b. A taxpayer shall be allowed a credit against the tax otherwise
18 due pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) for 25
19 percent of the cost of rehabilitation paid by the taxpayer for the
20 rehabilitation of a qualified property during the fiscal or calendar
21 accounting year. The amount of the credit claimed in the fiscal or
22 calendar accounting year in which the cost is incurred shall not reduce
23 the amount of the tax liability to less than the statutory minimum
24 provided in subsection (e) of section 5 of P.L.1945, c.162 (C.54:10A-
25 5). For the purpose of calculating the amount of credit, no more than
26 40 percent of the cost of rehabilitation shall be attributable to the cost
27 for the rehabilitation of the interior of the qualified property.

28 c. A taxpayer may claim a credit during the fiscal or calendar
29 accounting year in which the final payment for the cost of the
30 rehabilitation is made by the taxpayer against any tax liability
31 otherwise due after any other credits permitted pursuant to law have
32 been applied. The amount of credit claimed in an accounting year that
33 cannot be applied for that accounting year due to limitations in this
34 section may be carried over, if necessary, to the two accounting years
35 following a credit's accounting year or until the full credit is used,
36 whichever occurs first.

37 d. The total credit taken by a taxpayer, including any carryforward
38 credit, within any ten year period for the cost of rehabilitation of a
39 qualified property shall not exceed \$10,000.

40 e. To claim the credit authorized under this section, a taxpayer
41 shall apply to the State Historic Preservation officer for certification
42 of credit eligibility. The officer shall certify to the Division of
43 Taxation the total cost of rehabilitation, that the property meets the
44 definition of qualified property, that no more than 40 percent of the
45 cost of rehabilitation which will be used to calculate the credit is for
46 the rehabilitation of the interior of the qualified property and that the

1 rehabilitation has been completed in substantial compliance with the
2 requirements of the Secretary of the Interior's Standards of
3 Rehabilitation, 35 C.F.R. §67.7 (1995). The taxpayer shall attach the
4 certification to the gross income tax return on which the credit is
5 claimed.

6 f. The director shall promulgate, in consultation with the
7 Commissioner of the Department of Environmental Protection rules
8 and regulations in accordance with the "Administrative Procedure
9 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), as are deemed necessary
10 to administer the provisions of this section.

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12 4. This act shall take effect immediately and section 2 shall apply
13 to taxable years beginning on or after January 1, 1997, and section 3
14 shall apply to fiscal or calendar accounting years beginning on or after
15 January 1, 1997.

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STATEMENT

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20 This bill provides a credit under the gross income tax and the
21 corporation business tax equal to 25 percent of the cost of
22 rehabilitating an historic property owned by the taxpayer and used for
23 residential or commercial purposes. The historic property must be
24 located in a municipality ranked among the first 100 municipalities on
25 the latest available Municipal Distress Index compiled by the State.

26 The purpose of this bill is to encourage property owners to
27 undertake the rehabilitation of historic properties in "distressed"
28 municipalities. The bill will promote, generally, historic preservation
29 in the State and, specifically, neighborhood preservation in such areas.

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34 Provides credit under gross income tax and corporation business tax
35 for certain costs of rehabilitating historic property in certain
36 municipalities.