

By Representative Kulik of Worthington and Senator Resor, joint petition of Pamela P. Resor, Stephen Kulik and others for legislation to provide for an income tax credit for the rehabilitation of residential historic properties. Revenue.

The Commonwealth of Massachusetts

PETITION OF:

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Rosemary Sandlin  
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In the Year Two Thousand and Eight.

AN ACT RELATIVE TO HISTORIC RESIDENTIAL TAX CREDIT.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The purpose of this section is to encourage rehabili-  
2 tation of residential properties that have historic merit by providing  
3 an income tax credit for their rehabilitation.

1 SECTION 2. Chapter 62 of the General Laws is hereby amended  
2 by adding the following section:—

3 Section 65. Massachusetts historic residential rehabilitation tax  
4 credit

5 (a) For purposes of this section, the following terms shall have the  
6 following meanings:

7 "Certified rehabilitation", a rehabilitation of a qualified historic  
8 residence that has been approved and certified by the state secretary

9 as being consistent with the standards established by the secretary of  
10 the United States Department of the Interior for rehabilitation of his-  
11 toric properties and in accordance with guidelines and regulations  
12 promulgated by the commission.

13 “Commission”, the Massachusetts historical commission created  
14 in Section 26-27C of Chapter 9.

15 “First user”, the first person to occupy a historic residence  
16 following the completion of a certified rehabilitation. In order to be  
17 eligible, the first user must be the owner of the historic residence at  
18 the time the tax credit is claimed.

19 “Historic residence”, an owner-occupied residential structure or  
20 unit and any associated outbuildings located within the common-  
21 wealth which are owned, in whole or in part, by the taxpayer and  
22 which are not of a character subject to federal depreciation  
23 allowance pursuant to 26 U.S.C. § 167 or § 168 and is:—

24 (i) listed individually in the national or state registers of historic  
25 places; or

26 (ii) located in a district listed in the national or state register of  
27 historic places and certified by the commission as contributing to the  
28 historic character of that district.

29 “Historic residential rehabilitation tax credit”, a credit allowed  
30 against state income tax for certified rehabilitation of property pur-  
31 suant to paragraph (b).

32 “Secretary”, Secretary of the Commonwealth and Chairman of  
33 the Massachusetts Historical Commission.

34 “Taxpayer”, an individual, firm, partnership, trust, estate, limited  
35 liability company, S corporation or other entity or their members  
36 subject to income tax imposed by this chapter.

37 (b) (1) Any taxpayer who files a state income tax return and owns  
38 and occupies a historic residence may claim an income tax credit of  
39 up to 20 per cent of certified rehabilitation costs.

40 (2) In order to qualify for an historic residential rehabilitation tax  
41 credit under this section, an owner of an historic residence shall:—

42 (i) make a preliminary application for certification of rehabilita-  
43 tion costs to the commission, which shall authorize the commission  
44 to access the historic residence for inspection at reasonable times to  
45 ensure that the rehabilitation complies with guidelines as established  
46 by the commission; and

47 (ii) notify the commission upon completion of the rehabilitation,  
48 at which time the commission shall determine whether the rehabili-  
49 tation complies with the commission guidelines established pursuant  
50 to this section. At that time, the owner will provide the commission  
51 with documentation of the work performed and certify the costs  
52 incurred in the rehabilitation.

53 (3) If the commission approves the rehabilitation as a certified  
54 rehabilitation, the commission shall certify to the owner, in writing,  
55 that the rehabilitation complies with commission guidelines and  
56 state the total amount of the historic residential rehabilitation tax  
57 credit based upon the owner's certification of costs. This certificate  
58 shall be filed by the owner with the owner's state income tax return  
59 when requesting the income tax credit.

60 (4) The commission shall establish a minimum dollar amount  
61 above which an owner must spend in order to qualify for an historic  
62 residential rehabilitation tax credit.

63 (c) An historic residential rehabilitation tax credit shall be allo-  
64 cated as follows:—

65 (1) An income tax credit shall be taken in the year that the certi-  
66 fied rehabilitation work is completed. First users shall take the tax  
67 credit during the calendar year in which the property was purchased.  
68 Unused portions of the income tax credit may be carried forward to  
69 succeeding years by the owner who received the income tax credit,  
70 including any portion of the credit not allowed in a given tax year by  
71 paragraph (c)(2).

72 (2) The maximum income tax credit which may be taken in a  
73 single tax year shall not exceed \$500 in years 2008-2013, inclusive;  
74 \$1,000 in years 2014-2019, inclusive; and \$2,000 in 2020 and there-  
75 after.

76 (3) An historic residential rehabilitation tax credit may be claimed  
77 by the owner-occupant of the historic residence. Alternatively, the  
78 income tax credit may be claimed by the first user of the rehabili-  
79 tated historic residence if the first user is the owner-occupant of the  
80 historic residence. If the taxpayer ceases to be the owner of the his-  
81 toric residence or if the property ceases to be an historic residence  
82 under this section, then any unused income tax credit is forfeited.

83 (4) In the event of multiple ownership of an historic residence, an  
84 income tax credit shall only be allowed to the owner who resides at  
85 the property. If the historic residence is the residence of more than

86 one of the owners, the credit shall be allowed only to those owners  
87 who actually incurred the costs for rehabilitation and divided propor-  
88 tionally among those owners based on each owner's share of the  
89 incurred costs.

90 (5) If an historic residence contains a non-depreciable owner-  
91 occupied residential unit and not more than two depreciable units  
92 also owned by the building's owner-occupant, the full value of the  
93 historic residential rehabilitation tax credit will be allowed for reha-  
94 bilitation costs incurred on the entire building. If an historic building  
95 contains both non-depreciable owner-occupied residential units and  
96 three or more rental units, those rehabilitation costs reasonably asso-  
97 ciated with the owner occupied units which are historic residences  
98 may be used to claim a historic residential rehabilitation tax credit.

99 (d) The department of revenue, in consultation with the commis-  
100 sion, shall promulgate regulations and forms necessary or desirable  
101 to implement this section. The commission may establish a schedule  
102 of fees for the processing and review of historic residential rehabili-  
103 tation tax credit applications. The department of revenue shall  
104 develop the certification form used to file for state income tax credit  
105 and the state income tax forms used to calculate and claim the his-  
106 toric residential rehabilitation tax credit.