



# Senate Finance Committee

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## BILL SUMMARY

**Legislation:** Senate Bill 1150, P.N. 1432 (as amended by A05686)  
**Sponsor:** Senator Smucker  
**Act Amended:** None – creates the Historic Preservation Incentive Act  
**Topic:** Tax credit for the historic preservation of historic properties  
**Date:** October 24, 2011

### Summary:

Senate Bill 1150 (as amended by A05686) creates a tax credit for expenditures incurred to restore certain historic structures.

The tax credit shall be up to 25% of qualified expenditures incurred by a qualified taxpayer for the restoration of a qualified historic structure pursuant to a qualified rehabilitation plan. The definitions for the relevant terms are summarized as follows:

- *qualified expenditures* – the costs and expenses incurred by a qualified taxpayer in the restoration of a qualified historic structure pursuant to a qualified rehabilitation plan which are defined as qualified rehabilitation expenditures under section 47(c)(2) of the Internal Revenue Code.
- *qualified historic structure* – a commercial building that qualifies as a certified historic structure under section 47(c)(3) of the Internal Revenue Code.
- *qualified rehabilitation plan* – a project that is approved by the Pennsylvania Historical and Museum Commission as being consistent with the standards for rehabilitation and guidelines for rehabilitation of historic buildings as adopted by the United States Secretary of the Interior.
- *qualified taxpayer* – a person or legal business entity that: (1) is subject to a qualified tax imposed under the Tax Reform Code of 1971, excluding any personal income tax withheld by an employer; and (2) owns a qualified historic structure

The amount of the tax credit is limited to \$10 million in any fiscal year, subject to the following:

- No single qualified taxpayer shall receive more than \$500,000 in tax credits in any fiscal year in which the recommendations for the approval of tax credits from the Historical and Museum Commission exceed \$10 million.
- The geographical distribution of tax credits shall be taken account when implementing the \$10 million fiscal year limit.

Tax credit certificates shall be authorized by the following procedure:

- Applications from qualified taxpayers shall be submitted to the Department of Community and Economic Development (DCED) by February 1<sup>st</sup> for qualified expenditures incurred in the prior calendar year;
- DCED shall forward the applications to the Pennsylvania Historical and Museum Commission, which has 30 days to make a recommendation regarding approval of the application and to determine the amount, if any, of the qualified expenditures incurred by the applicant;
- Upon receipt of the recommendations from the Commission, DCED may approve the application and, if it does so, DCED shall notify the applicant and the Commission of its action and issue a tax credit certificate to the applicant by April 1.

Tax credits may be claimed by a qualified taxpayer by presenting a tax credit certificate to the Department of Revenue, subject to the following:

- The tax credit shall be applied to the taxpayer's qualified tax liability for the current taxable year.
- The tax credit may be carried forward for seven years if it cannot be used in the current taxable year.
- The taxpayer may apply to the Department of Community and Economic Development to sell or assign the credit. The applicant must be current in all tax reports, returns and payments for all applicable taxable years.
- The purchaser or assignee of the credit shall immediately claim the credit in the taxable year in which the purchase was made. It may not carry the credit forward or back, nor may it further sell or assign the credit.
- A pass-through entity receiving the credit may elect to transfer all or a portion of the credit to its shareholders, members or partners.

The Department of Community and Economic Development, the Department of Revenue and the Pennsylvania Historical and Museum Commission shall jointly develop written guidelines to implement this act.

The secretaries of the Department of Community and Economic Development and the Department of Revenue shall report to the General Assembly by September 1 of each year regarding the details of tax credit awards and usage for the previous fiscal year.

The legislation repeals 27 Pa.C.S. §6104(d.2)(2), which authorized the Secretary of the Budget to reduce certain allocations from the Environmental Stewardship Fund to offset the cost of a historic preservation tax credit.

This act shall take effect on July 1, 2012, or immediately, whichever is later.