



## **HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2015 SECTION-BY-SECTION SUMMARY**

### **SUMMARY**

The Historic Tax Credit Improvement Act makes long overdue changes to the Historic Tax Credit to further encourage reuse and redevelopment in small, midsize, and rural communities. It also makes the rehabilitation of community projects like theaters, libraries, schools and others easier while maximizing the impact of state credits. Finally, the bill would make more historic properties eligible to use the credit by updating program requirements to reflect current industry practices. These would be the first major changes to the Credit since the 1986 tax bill.

### **SEC. 1 SHORT TITLE "HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2015"**

### **SEC. 2 INCREASE IN THE REHABILITATION CREDIT FOR CERTAIN SMALL PROJECTS**

Creates a 30% credit for smaller deals to make sure the rural west and all non-urban areas have the same ability to take advantage of the credit. This small deal credit would be capped at Qualified Rehabilitation Expenses of \$2.5 million, changing the credit allowed from \$500,000 to \$750,000 on the largest projects. The definition of small deals was reduced from \$5 million in earlier legislation to \$2.5 million.

### **SEC. 3 ALLOWANCE FOR THE TRANSFER OF CREDITS FOR CERTAIN SMALL PROJECTS**

Allows the HTC, for small transactions with rehabilitation expenditures not over \$2,500,000, to be transferred as a tax certificate.

### **SEC. 4 INCREASING THE TYPE OF BUILDINGS ELIGIBLE FOR REHABILITATION**

Changes the definition of substantial rehabilitation. This provision would change the threshold to qualify for the credit as the greater of \$5,000 or 50% of adjusted basis instead of 100% of adjusted basis as the program currently requires.

### **SEC. 5 REDUCING BASIS ADJUSTMENT**

Changes the amount of the depreciable basis adjustment from 100 percent to 50 percent of the amount of the HTC. This would place the HTC in line with renewable energy and new markets tax credits. The LIHTC has no depreciable basis adjustment.

### **SEC. 6 SPECIAL RULES FOR DISPOSITIONS OF STATE HISTORIC TAX CREDITS**

Eliminate federal taxation of the proceeds of state historic tax credits.

### **SEC. 7. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT USE PROPERTY.**

This provision would modify the disqualified lease rules to limit the definition of a "disqualified lease" to those leases that are part of a sale leaseback arrangement involving a nonprofit that has used the property before certification as a historic rehabilitation. The other types of disqualified leases that inhibit the rehabilitation of these buildings: those with purchase options, leases in excess of 20 years, and leases in buildings that use tax-exempt financing, would be eliminated.

### **SEC. 8 ELIMINATING FUNCTIONALLY RELATED PROPERTIES**

Eliminates the entire concept of functionally related buildings. It allows an owner to obtain an unconditional Part 3 for any set of buildings or parts of a building regardless of the future actions of another owner.