

REFERENCE TITLE: historic preservation tax credit

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HB 2760

Introduced by
Representatives Mathis: Abraham, Cano, Hernandez M, Liguori, Solorio

AN ACT

AMENDING TITLE 41, CHAPTER 4.2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-882; AMENDING SECTION 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1082; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1165; RELATING TO THE HISTORIC PRESERVATION TAX CREDIT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 41, chapter 4.2, article 2, Arizona Revised
3 Statutes, is amended by adding section 41-882, to read:

4 41-882. Historic preservation tax credit; definitions

5 A. THE ARIZONA STATE PARKS BOARD SHALL RECEIVE APPLICATIONS AND
6 EVALUATE AND CERTIFY THE SUBSTANTIAL REHABILITATION OF A CERTIFIED
7 HISTORIC STRUCTURE FOR THE PURPOSE OF INCOME TAX CREDITS UNDER SECTIONS
8 43-1082 AND 43-1165. THE BOARD SHALL ESTABLISH AND ADOPT A SCHEDULE FOR
9 RECEIVING, EVALUATING AND APPROVING APPLICATIONS TWICE EACH YEAR FOR
10 CERTIFICATION UNDER THIS SECTION. SIXTY PERCENT OF THE ANNUAL AGGREGATE
11 TAX CREDIT DOLLAR LIMIT PRESCRIBED IN SUBSECTION L OF THIS SECTION IS
12 RESERVED FOR CERTIFICATION DURING THE FIRST APPLICATION PERIOD EACH YEAR
13 OF REHABILITATION PROJECTS LOCATED IN CITIES AND TOWNS WITH A POPULATION
14 OF LESS THAN ONE HUNDRED FIFTY THOUSAND PERSONS. THE REMAINDER OF THE
15 ANNUAL AGGREGATE TAX CREDIT DOLLAR LIMIT MAY BE CERTIFIED IN THE SECOND
16 APPLICATION PERIOD EACH YEAR WITH RESPECT TO REHABILITATION PROJECTS
17 LOCATED ANYWHERE IN THIS STATE.

18 B. THE BOARD MAY ISSUE AN INITIAL CERTIFICATION BEFORE THE
19 CERTIFIED HISTORIC STRUCTURE IS PLACED IN SERVICE IF THE REHABILITATION IS
20 CONSISTENT WITH THE STANDARDS FOR REHABILITATION OF THE SECRETARY OF THE
21 UNITED STATES DEPARTMENT OF THE INTERIOR AS DETERMINED BY THE BOARD. THE
22 INITIAL CERTIFICATION DOES NOT ENTITLE A TAXPAYER TO A CREDIT UNDER
23 SECTION 43-1082 OR 43-1165.

24 C. THE BOARD MAY ISSUE A FINAL CERTIFICATION FOR A TAX CREDIT FOR A
25 REHABILITATION THAT RECEIVED AN INITIAL CERTIFICATION IF, AFTER THE
26 COMPLETION OF THE REHABILITATION WORK, THE REHABILITATION OF THE CERTIFIED
27 HISTORIC STRUCTURE THAT WAS THE SUBJECT OF THE INITIAL CERTIFICATION:

28 1. IS CONSISTENT WITH THE STANDARDS FOR REHABILITATION OF THE
29 SECRETARY OF THE UNITED STATES DEPARTMENT OF THE INTERIOR AS DETERMINED BY
30 THE BOARD.

31 2. PRODUCES A POSITIVE ECONOMIC IMPACT FOR THIS STATE OR THE LOCAL
32 MUNICIPALITY UNDER THE COST-BENEFIT ANALYSIS REQUIRED BY THIS SECTION.

33 3. ACHIEVES THE MINIMUM NUMBER OF POINTS NECESSARY UNDER THE
34 REHABILITATION GRADING SYSTEM ESTABLISHED BY THE BOARD.

35 4. COMPLIES WITH SUBSECTION D OF THIS SECTION.

36 D. THE OWNER OF THE CERTIFIED HISTORIC STRUCTURE THAT IS THE
37 SUBJECT OF THE APPLICATION FOR CERTIFICATION UNDER THIS SECTION GRANTS A
38 RESTRICTIVE COVENANT TO THE BOARD FOR THE HOLDING PERIOD AND AGREES THAT
39 ALTERATIONS MAY NOT BE MADE TO THE CERTIFIED HISTORIC STRUCTURE DURING THE
40 HOLDING PERIOD:

41 1. THAT ARE INCONSISTENT WITH THE STANDARDS FOR REHABILITATION OF
42 THE SECRETARY OF THE UNITED STATES DEPARTMENT OF THE INTERIOR AS
43 DETERMINED BY THE BOARD.

44 2. WITHOUT THE BOARD'S APPROVAL.

1 E. THE BOARD SHALL INCLUDE IN ITS FINAL CERTIFICATION THE AMOUNT OF
2 THE TAX CREDIT FOR WHICH A REHABILITATION QUALIFIES.

3 F. THE BOARD SHALL PRESCRIBE THE FORM OF APPLICATION FOR BOTH THE
4 INITIAL AND FINAL CERTIFICATIONS OF THE REHABILITATION. EXCEPT FOR THE
5 COST-BENEFIT ANALYSIS REQUIRED BY THIS SECTION, THE BOARD MAY RELY ON THE
6 FACTS PROVIDED IN THE APPLICATION WITHOUT INDEPENDENT INVESTIGATION. THE
7 AMOUNT OF THE QUALIFIED REHABILITATION EXPENSES AND THE AMOUNT OF THE
8 CREDIT FOR WHICH A REHABILITATION QUALIFIES SHALL BE CERTIFIED BY A
9 CERTIFIED PUBLIC ACCOUNTANT LICENSED IN THIS STATE AND FILED AS PART OF
10 THE APPLICATION FOR FINAL CERTIFICATION. THE BOARD MAY AUTHORIZE A
11 CERTIFIED LOCAL GOVERNMENT TO PERFORM THE CERTIFICATION PROCESS REQUIRED
12 BY THIS SECTION.

13 G. WITHIN NINETY DAYS AFTER RECEIVING THE APPLICATION FOR FINAL
14 CERTIFICATION, THE BOARD SHALL ISSUE TO THE APPLICANT A WRITTEN
15 DETERMINATION EITHER DENYING OR APPROVING THE REHABILITATION AND
16 CERTIFYING THE AMOUNT OF THE TAX CREDIT ALLOWABLE.

17 H. IF THE BOARD BECOMES AWARE OF INFORMATION THAT IS MATERIALLY
18 INCONSISTENT WITH THE INFORMATION PROVIDED IN THE APPLICATION FOR INITIAL
19 OR FINAL CERTIFICATION, THE BOARD MAY DENY THE REQUEST FOR THE INITIAL OR
20 FINAL CERTIFICATION OR REVOKE AN ALREADY-ISSUED INITIAL OR FINAL
21 CERTIFICATION.

22 I. THE BOARD SHALL ESTABLISH AND USE A POINT SYSTEM FOR EVALUATING
23 AND GRADING PROPOSED REHABILITATIONS OF CERTIFIED HISTORIC STRUCTURES THAT
24 ARE THE SUBJECT OF APPLICATIONS. THE BOARD SHALL AWARD POINTS BASED ON
25 POSITIVE JOB GROWTH, SIGNIFICANT POSITIVE ECONOMIC IMPACT AND COMMUNITY
26 SUPPORT OF THE REHABILITATION PROPOSAL.

27 J. THE ARIZONA COMMERCE AUTHORITY SHALL CONDUCT A COST-BENEFIT
28 ANALYSIS OF THE REHABILITATION OF THE CERTIFIED HISTORIC STRUCTURE THAT IS
29 THE SUBJECT OF AN APPLICATION. THE BOARD MAY NOT ISSUE A FINAL
30 CERTIFICATION UNLESS THE AUTHORITY DETERMINES AS A RESULT OF ITS ANALYSIS
31 THAT THE PROPOSED REHABILITATION WILL PRODUCE A POSITIVE ECONOMIC IMPACT
32 FOR THIS STATE OR A LOCAL MUNICIPALITY ONCE THE CERTIFIED HISTORIC
33 STRUCTURE IS IN USE.

34 K. THE BOARD SHALL CHARGE A FEE OF TWO AND ONE-FOURTH PERCENT OF
35 THE QUALIFIED REHABILITATION EXPENSES FOR EACH APPLICATION. THE BOARD
36 SHALL USE THE MONIES FOR THE COSTS OF IMPLEMENTING AND ADMINISTERING THE
37 APPLICATION AND CERTIFICATION PROCESS PRESCRIBED IN THIS SECTION. THE
38 FEES RECEIVED BY THE BOARD UNDER THIS SUBSECTION DO NOT REVERT TO THE
39 STATE GENERAL FUND.

40 L. THE BOARD MAY CERTIFY SUBSTANTIAL REHABILITATIONS OF CERTIFIED
41 HISTORIC STRUCTURES FOR THE PURPOSE OF TAX CREDITS UNDER SECTIONS 43-1082
42 AND 43-1165 IN A COMBINED ANNUAL AGGREGATE AMOUNT OF \$15,000,000 FOR
43 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022. FOR TAXABLE
44 YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2032, THE BOARD MAY CERTIFY AN

1 ADDITIONAL COMBINED ANNUAL AGGREGATE AMOUNT OF UP TO \$15,000,000 FOR THE
2 TAX CREDITS UNDER SECTIONS 43-1082 AND 43-1165.

3 M. TO THE EXTENT NOT OTHERWISE PROHIBITED BY LAW, THE BOARD SHALL
4 PROVIDE TO THE DEPARTMENT OF REVENUE INFORMATION THE DEPARTMENT REQUESTS
5 TO DETERMINE A CLAIMANT'S ELIGIBILITY FOR A TAX CREDIT CLAIMED UNDER
6 SECTION 43-1082 OR 43-1165.

7 N. FOR THE PURPOSES OF THIS SECTION:

8 1. "BOARD" MEANS THE ARIZONA STATE PARKS BOARD ESTABLISHED BY
9 SECTION 41-511.

10 2. "CERTIFIED HISTORIC STRUCTURE" MEANS A PROPERTY THAT IS LOCATED
11 IN THIS STATE AND IS EITHER:

12 (a) LISTED INDIVIDUALLY IN THE NATIONAL REGISTER OF HISTORIC
13 PLACES.

14 (b) LISTED INDIVIDUALLY IN THE ARIZONA REGISTER OF HISTORIC PLACES.

15 (c) LOCATED IN A REGISTERED HISTORIC DISTRICT AND CERTIFIED BY
16 EITHER THE BOARD OR THE SECRETARY OF THE UNITED STATES DEPARTMENT OF THE
17 INTERIOR AS BEING OF HISTORIC SIGNIFICANCE TO THE DISTRICT.

18 3. "CERTIFIED LOCAL GOVERNMENT" MEANS A LOCAL GOVERNMENT THAT IS
19 CERTIFIED BY THE BOARD AS HAVING THE CAPACITY TO ADMINISTER PRESERVATION
20 PROGRAMS, INCLUDING THE CERTIFICATION PROCESS REQUIRED BY THIS SECTION.

21 4. "HOLDING PERIOD" MEANS TWENTY-FOUR MONTHS AFTER THE BOARD ISSUES
22 A FINAL CERTIFICATION UNDER THIS SECTION OR, IF THE REHABILITATION IS TO
23 BE COMPLETED IN PHASES, TWENTY-FOUR MONTHS AFTER THE FINAL CERTIFICATION
24 OF THE FINAL PHASE OF THE REHABILITATION.

25 5. "PLACED IN SERVICE" MEANS THAT THE REHABILITATION WORK HAS BEEN
26 SUBSTANTIALLY COMPLETED TO ALLOW FOR THE OCCUPANCY OF THE STRUCTURE OR AN
27 IDENTIFIABLE PART OF THE STRUCTURE, OR THE OWNER HAS BEGUN DEPRECIATING
28 THE QUALIFIED REHABILITATION EXPENSES, WHICHEVER OCCURS FIRST.

29 6. "PRINCIPAL RESIDENCE" MEANS A PRINCIPAL RESIDENCE AS PRESCRIBED
30 IN SECTION 121 OF THE INTERNAL REVENUE CODE.

31 7. "QUALIFIED REHABILITATION EXPENSE":

32 (a) MEANS MONIES THAT ARE SPENT IN THE REHABILITATION OF A
33 CERTIFIED HISTORIC STRUCTURE PROPERLY CAPITALIZED TO THE BUILDING AND THAT
34 ARE SPENT WITH RESPECT TO PROPERTY THAT IS EITHER:

35 (i) DEPRECIABLE UNDER THE INTERNAL REVENUE CODE.

36 (ii) HELD FOR SALE BY THE OWNER, OTHER THAN THE PRINCIPAL RESIDENCE
37 OF THE OWNER.

38 (b) EXCEPT FOR NONPROFIT CORPORATIONS, DOES NOT INCLUDE MONIES THAT
39 ARE SPENT FROM DIRECT GRANTS FROM FEDERAL, STATE OR LOCAL AGENCIES OR
40 INSTRUMENTALITIES.

41 8. "REGISTERED HISTORIC DISTRICT" MEANS ANY DISTRICT LISTED IN THE
42 NATIONAL REGISTER OF HISTORIC PLACES OR ARIZONA REGISTER OF HISTORIC
43 PLACES.

1 9. "SUBSTANTIAL REHABILITATION" MEANS THAT, WITH REGARD TO A
2 CERTIFIED HISTORIC STRUCTURE, THE QUALIFIED REHABILITATION EXPENSES OF THE
3 CERTIFIED HISTORIC STRUCTURE DURING A TWENTY-FOUR-MONTH PERIOD, OR A
4 SIXTY-MONTH PERIOD IF THE REHABILITATION IS TO BE DONE IN PHASES SET FORTH
5 IN ARCHITECTURAL PLANS AND SPECIFICATIONS THAT ARE COMPLETED BEFORE THE
6 REHABILITATION BEGINS, CHOSEN BY THE TAXPAYER ENDING WITH OR WITHIN THE
7 TAXABLE YEAR EXCEED FIFTY PERCENT OF THE ADJUSTED BASIS IN THE CERTIFIED
8 HISTORIC STRUCTURE AND ITS STRUCTURAL COMPONENTS.

9 Sec. 2. Section 43-222, Arizona Revised Statutes, is amended to
10 read:

11 43-222. Income tax credit review schedule

12 The joint legislative income tax credit review committee shall
13 review the following income tax credits:

14 1. For years ending in 0 and 5, sections 43-1079.01, 43-1088,
15 43-1089.04, 43-1167.01 and 43-1175.

16 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
17 43-1075, 43-1076.01, 43-1077, 43-1078, 43-1083, 43-1083.02, 43-1162,
18 43-1164.03 and 43-1183.

19 3. For years ending in 2 and 7, sections 43-1073, 43-1082, 43-1085,
20 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1165,
21 43-1169 and 43-1181.

22 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
23 43-1168, 43-1170 and 43-1178.

24 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
25 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05 and 43-1184.

26 Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes,
27 is amended by adding section 43-1082, to read:

28 43-1082. Credit for historic preservation; definitions

29 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022
30 THROUGH DECEMBER 31, 2032, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED
31 BY THIS TITLE FOR QUALIFIED REHABILITATION EXPENSES FOR THE SUBSTANTIAL
32 REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE ONLY IF THE TAXPAYER HAS
33 A FINAL CERTIFICATION FROM THE ARIZONA STATE PARKS BOARD ISSUED UNDER
34 SECTION 41-882.

35 B. THE AMOUNT OF THE CREDIT IS EQUAL TO TWENTY PERCENT OF THE
36 QUALIFIED REHABILITATION EXPENSES.

37 C. THE CREDIT IS ALLOWED FOR THE TAXABLE YEAR THAT THE CERTIFIED
38 HISTORIC STRUCTURE OR IDENTIFIABLE PORTION OF THE HISTORIC STRUCTURE THAT
39 MEETS THE SUBSTANTIAL REHABILITATION TEST IS PLACED IN SERVICE.

40 D. TO CLAIM A CREDIT, AN APPLICANT SHALL APPLY TO THE BOARD FOR
41 BOTH OF THE FOLLOWING:

42 1. AN INITIAL CERTIFICATION ISSUED BY THE BOARD UNDER SECTION
43 41-882 BEFORE THE CERTIFIED HISTORIC STRUCTURE IS PLACED IN SERVICE.

1 2. A FINAL CERTIFICATION ISSUED BY THE BOARD UNDER SECTION 41-882
2 AFTER COMPLETION OF THE REHABILITATION WORK. THE FINAL CERTIFICATION
3 SHALL INCLUDE THE AMOUNT OF THE TAX CREDIT FOR WHICH THE REHABILITATION
4 QUALIFIES.

5 E. THE FINAL CERTIFICATION SHALL BE ATTACHED TO ANY FILED RETURN
6 THAT CLAIMS A CREDIT UNDER THIS SECTION.

7 F. THE SUBSTANTIAL REHABILITATION OF A HISTORIC STRUCTURE THAT IS
8 EXEMPT FROM REAL PROPERTY TAX IS INELIGIBLE FOR A TAX CREDIT UNDER THIS
9 SECTION. IF AN ALREADY-CERTIFIED REHABILITATION OF A HISTORIC STRUCTURE
10 UNDER SECTION 41-882 BECOMES EXEMPT FROM REAL PROPERTY TAX WITHIN
11 TWENTY-FOUR MONTHS AFTER FINAL CERTIFICATION BY THE BOARD, THE CLAIMANT'S
12 TAX LIABILITY FOR THE YEAR THAT THE CERTIFIED HISTORIC STRUCTURE BECOMES
13 EXEMPT IS INCREASED BY THE TOTAL AMOUNT OF THE CREDIT ACTUALLY USED.

14 G. THE DEPARTMENT MAY REQUEST INFORMATION FROM THE BOARD FOR THE
15 PURPOSE OF DETERMINING A CLAIMANT'S ELIGIBILITY FOR CREDITS CLAIMED, AND
16 THE BOARD SHALL PROVIDE THE REQUESTED INFORMATION TO THE EXTENT ALLOWED BY
17 LAW.

18 H. IF THE ALLOWABLE TAX CREDIT EXCEEDS TAXES OTHERWISE DUE UNDER
19 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER
20 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER
21 THIS TITLE MAY BE CARRIED FORWARD TO THE NEXT TEN CONSECUTIVE TAXABLE
22 YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

23 I. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND
24 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE
25 INTERNAL REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF CREDIT
26 ALLOWED UNDER THIS SECTION BASED ON OWNERSHIP INTEREST OR THE SHARE OF
27 CREDIT ALLOWED PURSUANT TO AN EXECUTED AGREEMENT AMONG THE OWNERS,
28 PARTNERS OR SHAREHOLDERS DOCUMENTING AN ALTERNATE DISTRIBUTION METHOD
29 WITHOUT REGARD TO THE SHARING OF OTHER TAX OR ECONOMIC ATTRIBUTES OF THE
30 BUSINESS. THE TOTAL OF THE CREDITS ALLOWED ALL THE OWNERS, PARTNERS OR
31 SHAREHOLDERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED A SOLE
32 OWNER.

33 J. AN APPLICANT WHO DOES NOT CLAIM THE CREDITS ALLOWED UNDER THIS
34 SECTION, IN WHOLE OR IN PART, MAY ASSIGN, TRANSFER OR SELL THE TAX CREDITS
35 TO ANY PERSON, INCLUDING CONDOMINIUM OWNERS IF THE CERTIFIED HISTORIC
36 STRUCTURE IS CONVERTED INTO CONDOMINIUMS. THE ASSIGNEE, TRANSFEREE OR
37 BUYER OF THE TAX CREDITS MAY USE THE ACQUIRED CREDITS AGAINST THE TAX
38 IMPOSED BY THIS TITLE AND MAY CARRY FORWARD THE TAX CREDITS FOR TEN
39 CONSECUTIVE TAXABLE YEARS AFTER THE DATE THE CERTIFIED HISTORIC STRUCTURE
40 IS PLACED IN SERVICE. THE ASSIGNOR, TRANSFEROR OR SELLER SHALL NOTIFY THE
41 DEPARTMENT IN WRITING WITHIN THIRTY DAYS AFTER AN ASSIGNMENT, TRANSFER OR
42 SALE UNDER THIS SUBSECTION AND SHALL PROVIDE THE DEPARTMENT WITH ANY
43 INFORMATION REQUIRED BY THE DEPARTMENT.

1 K. THE PROCEEDS OF ANY SALE, TRANSFER OR ASSIGNMENT OF TAX CREDITS
2 RECEIVED BY THE APPLICANT UNDER THIS SECTION ARE EXEMPT FROM THIS
3 TITLE. IF A TAX CREDIT IS SUBSEQUENTLY RECAPTURED, REVOKED OR ADJUSTED,
4 THE SELLER'S, TRANSFEROR'S OR ASSIGNOR'S TAXABLE INCOME SHALL BE INCREASED
5 BY THE TOTAL AMOUNT OF THE SALE, TRANSFER OR ASSIGNMENT PROCEEDS IN THE
6 TAXABLE YEAR OF THE RECAPTURE, REVOCATION OR ADJUSTMENT.

7 L. A TAXPAYER THAT CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM
8 A CREDIT UNDER SECTION 43-1165.

9 M. FOR THE PURPOSES OF THIS SECTION:

10 1. "BOARD" MEANS THE ARIZONA STATE PARKS BOARD ESTABLISHED BY
11 SECTION 41-511.

12 2. "CERTIFIED HISTORIC STRUCTURE" MEANS A PROPERTY THAT IS LOCATED
13 IN THIS STATE AND IS EITHER:

14 (a) LISTED INDIVIDUALLY IN THE NATIONAL REGISTER OF HISTORIC
15 PLACES.

16 (b) LISTED INDIVIDUALLY IN THE ARIZONA REGISTER OF HISTORIC PLACES.

17 (c) LOCATED IN A REGISTERED HISTORIC DISTRICT AND CERTIFIED BY
18 EITHER THE BOARD OR THE SECRETARY OF THE UNITED STATES DEPARTMENT OF THE
19 INTERIOR AS BEING OF HISTORIC SIGNIFICANCE TO THE DISTRICT.

20 3. "PLACED IN SERVICE" MEANS THAT THE REHABILITATION WORK HAS BEEN
21 SUBSTANTIALLY COMPLETED TO ALLOW FOR THE OCCUPANCY OF THE STRUCTURE OR AN
22 IDENTIFIABLE PART OF THE STRUCTURE, OR THE OWNER HAS BEGUN DEPRECIATING
23 THE QUALIFIED REHABILITATION EXPENSES, WHICHEVER OCCURS FIRST.

24 4. "PRINCIPAL RESIDENCE" MEANS A PRINCIPAL RESIDENCE AS PRESCRIBED
25 IN SECTION 121 OF THE INTERNAL REVENUE CODE.

26 5. "QUALIFIED REHABILITATION EXPENSE":

27 (a) MEANS MONIES THAT ARE SPENT IN THE REHABILITATION OF A
28 CERTIFIED HISTORIC STRUCTURE PROPERLY CAPITALIZED TO THE BUILDING AND THAT
29 ARE SPENT WITH RESPECT TO PROPERTY THAT IS EITHER:

30 (i) DEPRECIABLE UNDER THE INTERNAL REVENUE CODE.

31 (ii) HELD FOR SALE BY THE OWNER, OTHER THAN THE PRINCIPAL RESIDENCE
32 OF THE OWNER.

33 (b) EXCEPT FOR NONPROFIT CORPORATIONS, DOES NOT INCLUDE MONIES THAT
34 ARE SPENT FROM DIRECT GRANTS FROM FEDERAL, STATE OR LOCAL AGENCIES OR
35 INSTRUMENTALITIES.

36 6. "REGISTERED HISTORIC DISTRICT" MEANS ANY DISTRICT LISTED IN THE
37 NATIONAL REGISTER OF HISTORIC PLACES OR ARIZONA REGISTER OF HISTORIC
38 PLACES.

39 7. "SUBSTANTIAL REHABILITATION" MEANS THAT, WITH REGARD TO A
40 CERTIFIED HISTORIC STRUCTURE, THE QUALIFIED REHABILITATION EXPENSES OF THE
41 CERTIFIED HISTORIC STRUCTURE DURING A TWENTY-FOUR-MONTH PERIOD, OR A
42 SIXTY-MONTH PERIOD IF THE REHABILITATION IS TO BE DONE IN PHASES SET FORTH
43 IN ARCHITECTURAL PLANS AND SPECIFICATIONS THAT ARE COMPLETED BEFORE THE
44 REHABILITATION BEGINS, CHOSEN BY THE TAXPAYER ENDING WITH OR WITHIN THE

1 TAXABLE YEAR EXCEED FIFTY PERCENT OF THE ADJUSTED BASIS IN THE CERTIFIED
2 HISTORIC STRUCTURE AND ITS STRUCTURAL COMPONENTS.

3 Sec. 4. Title 43, chapter 11, article 6, Arizona Revised Statutes,
4 is amended by adding section 43-1165, to read:

5 43-1165. Credit for historic preservation; definitions

6 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2022
7 THROUGH DECEMBER 31, 2032, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED
8 BY THIS TITLE FOR QUALIFIED REHABILITATION EXPENSES FOR THE SUBSTANTIAL
9 REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE ONLY IF THE TAXPAYER HAS
10 A FINAL CERTIFICATION FROM THE ARIZONA STATE PARKS BOARD ISSUED UNDER
11 SECTION 41-882.

12 B. THE AMOUNT OF THE CREDIT IS EQUAL TO TWENTY PERCENT OF THE
13 QUALIFIED REHABILITATION EXPENSES.

14 C. THE CREDIT IS ALLOWED FOR THE TAXABLE YEAR THAT THE CERTIFIED
15 HISTORIC STRUCTURE OR IDENTIFIABLE PORTION OF THE HISTORIC STRUCTURE THAT
16 MEETS THE SUBSTANTIAL REHABILITATION TEST IS PLACED IN SERVICE.

17 D. TO CLAIM A CREDIT, AN APPLICANT SHALL APPLY TO THE BOARD FOR
18 BOTH OF THE FOLLOWING:

19 1. AN INITIAL CERTIFICATION ISSUED BY THE BOARD UNDER SECTION
20 41-882 BEFORE THE CERTIFIED HISTORIC STRUCTURE IS PLACED IN SERVICE.

21 2. A FINAL CERTIFICATION ISSUED BY THE BOARD UNDER SECTION 41-882
22 AFTER COMPLETION OF THE REHABILITATION WORK. THE FINAL CERTIFICATION
23 SHALL INCLUDE THE AMOUNT OF THE TAX CREDIT FOR WHICH THE REHABILITATION
24 QUALIFIES.

25 E. THE FINAL CERTIFICATION SHALL BE ATTACHED TO ANY FILED RETURN
26 THAT CLAIMS A CREDIT UNDER THIS SECTION.

27 F. THE SUBSTANTIAL REHABILITATION OF A HISTORIC STRUCTURE THAT IS
28 EXEMPT FROM REAL PROPERTY TAX IS INELIGIBLE FOR A TAX CREDIT UNDER THIS
29 SECTION. IF AN ALREADY-CERTIFIED REHABILITATION OF A HISTORIC STRUCTURE
30 UNDER SECTION 41-882 BECOMES EXEMPT FROM REAL PROPERTY TAX WITHIN
31 TWENTY-FOUR MONTHS AFTER FINAL CERTIFICATION BY THE BOARD, THE CLAIMANT'S
32 TAX LIABILITY FOR THE YEAR THAT THE CERTIFIED HISTORIC STRUCTURE BECOMES
33 EXEMPT IS INCREASED BY THE TOTAL AMOUNT OF THE CREDIT ACTUALLY USED.

34 G. THE DEPARTMENT MAY REQUEST INFORMATION FROM THE BOARD FOR THE
35 PURPOSE OF DETERMINING A CLAIMANT'S ELIGIBILITY FOR CREDITS CLAIMED, AND
36 THE BOARD SHALL PROVIDE THE REQUESTED INFORMATION TO THE EXTENT ALLOWED BY
37 LAW.

38 H. IF THE ALLOWABLE TAX CREDIT EXCEEDS TAXES OTHERWISE DUE UNDER
39 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER
40 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER
41 THIS TITLE MAY BE CARRIED FORWARD TO THE NEXT TEN CONSECUTIVE TAXABLE
42 YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

43 I. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A
44 PARTNERSHIP AND MEMBERS OF A LIMITED LIABILITY COMPANY, MAY EACH CLAIM
45 ONLY THE PRO RATA SHARE OF CREDIT ALLOWED UNDER THIS SECTION BASED ON

1 OWNERSHIP INTEREST OR THE SHARE OF CREDIT ALLOWED PURSUANT TO AN EXECUTED
2 AGREEMENT AMONG THE OWNERS, PARTNERS OR MEMBERS DOCUMENTING AN ALTERNATE
3 DISTRIBUTION METHOD WITHOUT REGARD TO THE SHARING OF OTHER TAX OR ECONOMIC
4 ATTRIBUTES OF THE BUSINESS. THE TOTAL OF THE CREDITS ALLOWED ALL THE
5 OWNERS, PARTNERS OR MEMBERS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN
6 ALLOWED A SOLE OWNER.

7 J. AN APPLICANT THAT DOES NOT CLAIM THE CREDITS ALLOWED UNDER THIS
8 SECTION, IN WHOLE OR IN PART, MAY ASSIGN, TRANSFER OR SELL THE TAX CREDITS
9 TO ANY PERSON, INCLUDING CONDOMINIUM OWNERS IF THE CERTIFIED HISTORIC
10 STRUCTURE IS CONVERTED INTO CONDOMINIUMS. THE ASSIGNEE, TRANSFEREE OR
11 BUYER OF THE TAX CREDITS MAY USE THE ACQUIRED CREDITS AGAINST THE TAX
12 IMPOSED BY THIS TITLE AND MAY CARRY FORWARD THE TAX CREDITS FOR TEN
13 CONSECUTIVE TAXABLE YEARS AFTER THE DATE THE CERTIFIED HISTORIC STRUCTURE
14 IS PLACED IN SERVICE. THE ASSIGNOR, TRANSFEROR OR SELLER SHALL NOTIFY THE
15 DEPARTMENT IN WRITING WITHIN THIRTY DAYS AFTER AN ASSIGNMENT, TRANSFER OR
16 SALE UNDER THIS SUBSECTION AND SHALL PROVIDE THE DEPARTMENT WITH ANY
17 INFORMATION REQUIRED BY THE DEPARTMENT.

18 K. THE PROCEEDS OF ANY SALE, TRANSFER OR ASSIGNMENT OF TAX CREDITS
19 RECEIVED BY THE APPLICANT UNDER THIS SECTION ARE EXEMPT FROM THIS
20 TITLE. IF A TAX CREDIT IS SUBSEQUENTLY RECAPTURED, REVOKED OR ADJUSTED,
21 THE SELLER'S, TRANSFEROR'S OR ASSIGNOR'S TAXABLE INCOME SHALL BE INCREASED
22 BY THE TOTAL AMOUNT OF THE SALE, TRANSFER OR ASSIGNMENT PROCEEDS IN THE
23 TAXABLE YEAR OF THE RECAPTURE, REVOCATION OR ADJUSTMENT.

24 L. A TAXPAYER THAT CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM
25 A CREDIT UNDER SECTION 43-1082.

26 M. FOR THE PURPOSES OF THIS SECTION:

27 1. "BOARD" MEANS THE ARIZONA STATE PARKS BOARD ESTABLISHED BY
28 SECTION 41-511.

29 2. "CERTIFIED HISTORIC STRUCTURE" MEANS A PROPERTY THAT IS LOCATED
30 IN THIS STATE AND IS EITHER:

31 (a) LISTED INDIVIDUALLY IN THE NATIONAL REGISTER OF HISTORIC
32 PLACES.

33 (b) LISTED INDIVIDUALLY IN THE ARIZONA REGISTER OF HISTORIC PLACES.

34 (c) LOCATED IN A REGISTERED HISTORIC DISTRICT AND CERTIFIED BY
35 EITHER THE BOARD OR THE SECRETARY OF THE UNITED STATES DEPARTMENT OF THE
36 INTERIOR AS BEING OF HISTORIC SIGNIFICANCE TO THE DISTRICT.

37 3. "PLACED IN SERVICE" MEANS THAT THE REHABILITATION WORK HAS BEEN
38 SUBSTANTIALLY COMPLETED TO ALLOW FOR THE OCCUPANCY OF THE STRUCTURE OR AN
39 IDENTIFIABLE PART OF THE STRUCTURE, OR THE OWNER HAS BEGUN DEPRECIATING
40 THE QUALIFIED REHABILITATION EXPENSES, WHICHEVER OCCURS FIRST.

41 4. "PRINCIPAL RESIDENCE" MEANS A PRINCIPAL RESIDENCE AS PRESCRIBED
42 IN SECTION 121 OF THE INTERNAL REVENUE CODE.

1 5. "QUALIFIED REHABILITATION EXPENSE":
2 (a) MEANS MONIES SPENT IN THE REHABILITATION OF A CERTIFIED
3 HISTORIC STRUCTURE PROPERLY CAPITALIZED TO THE BUILDING AND THAT ARE SPENT
4 WITH RESPECT TO PROPERTY THAT IS EITHER:
5 (i) DEPRECIABLE UNDER THE INTERNAL REVENUE CODE.
6 (ii) HELD FOR SALE BY THE OWNER, OTHER THAN THE PRINCIPAL RESIDENCE
7 OF THE OWNER.
8 (b) EXCEPT FOR NONPROFIT CORPORATIONS, DOES NOT INCLUDE MONIES THAT
9 ARE SPENT FROM DIRECT GRANTS FROM FEDERAL, STATE OR LOCAL AGENCIES OR
10 INSTRUMENTALITIES.
11 6. "REGISTERED HISTORIC DISTRICT" MEANS ANY DISTRICT LISTED IN THE
12 NATIONAL REGISTER OF HISTORIC PLACES OR ARIZONA REGISTER OF HISTORIC
13 PLACES.
14 7. "SUBSTANTIAL REHABILITATION" MEANS THAT, WITH REGARD TO A
15 CERTIFIED HISTORIC STRUCTURE, THE QUALIFIED REHABILITATION EXPENSES OF THE
16 CERTIFIED HISTORIC STRUCTURE DURING A TWENTY-FOUR-MONTH PERIOD, OR A
17 SIXTY-MONTH PERIOD IF THE REHABILITATION IS TO BE DONE IN PHASES SET FORTH
18 IN ARCHITECTURAL PLANS AND SPECIFICATIONS THAT ARE COMPLETED BEFORE THE
19 REHABILITATION BEGINS, CHOSEN BY THE TAXPAYER ENDING WITH OR WITHIN THE
20 TAXABLE YEAR EXCEED FIFTY PERCENT OF THE ADJUSTED BASIS IN THE CERTIFIED
21 HISTORIC STRUCTURE AND ITS STRUCTURAL COMPONENTS.
22 Sec. 5. Purpose
23 Pursuant to section 43-223, Arizona Revised Statutes, the
24 legislature enacts sections 43-1082 and 43-1165, Arizona Revised Statutes,
25 to create economic incentives for the purpose of stimulating the
26 redevelopment and reuse of historic structures in this state.