

REFERENCE TITLE: income tax credit; historic preservation

State of Arizona
House of Representatives
Fifty-sixth Legislature
First Regular Session
2023

HB 2791

Introduced by
Representatives Mathis: Contreras P, Gutierrez, Travers

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 43-1080; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1166; RELATING TO INCOME TAX CREDITS.

(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 STATE HISTORIC PRESERVATION OFFICER SHALL RECEIVE
6 APPLICATIONS AND EVALUATE AND CERTIFY THE SUBSTANTIAL REHABILITATION OF A
7 CERTIFIED HISTORIC STRUCTURE FOR THE PURPOSE OF INCOME TAX CREDITS UNDER
8 SECTIONS 43-1080 AND 43-1166. THE STATE HISTORIC PRESERVATION OFFICER
9 SHALL ESTABLISH AND ADOPT A SCHEDULE FOR RECEIVING, EVALUATING AND
10 APPROVING APPLICATIONS TWICE EACH YEAR FOR CERTIFICATION UNDER THIS
11 SECTION. SIXTY PERCENT OF THE ANNUAL AGGREGATE TAX CREDIT DOLLAR LIMIT
12 PRESCRIBED IN SUBSECTION K OF THIS SECTION IS RESERVED FOR CERTIFICATION
13 DURING THE FIRST APPLICATION PERIOD EACH YEAR OF REHABILITATION PROJECTS
14 LOCATED IN CITIES AND TOWNS WITH A POPULATION OF LESS THAN ONE HUNDRED
15 FIFTY THOUSAND PERSONS. THE REMAINDER OF THE ANNUAL AGGREGATE TAX CREDIT
16 DOLLAR LIMIT MAY BE CERTIFIED IN THE SECOND APPLICATION PERIOD EACH YEAR
17 WITH RESPECT TO REHABILITATION PROJECTS LOCATED ANYWHERE IN THIS STATE.

18 B. THE STATE HISTORIC PRESERVATION OFFICER MAY ISSUE A
19 CERTIFICATION FOR A TAX CREDIT FOR THE REHABILITATION OF A HISTORIC
20 STRUCTURE IF, AFTER THE COMPLETION OF THE REHABILITATION WORK, THE
21 REHABILITATION OF THE HISTORIC STRUCTURE THAT IS THE SUBJECT OF THE
22 CERTIFICATION:

23 1. IS CONSISTENT WITH THE STANDARDS FOR REHABILITATION OF THE
24 SECRETARY OF THE UNITED STATES DEPARTMENT OF THE INTERIOR AS DETERMINED BY
25 THE STATE HISTORIC PRESERVATION OFFICER.

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

28 3. ACHIEVES THE MINIMUM NUMBER OF POINTS NECESSARY UNDER THE
29 REHABILITATION GRADING SYSTEM ESTABLISHED BY THE STATE HISTORIC
30 PRESERVATION OFFICER.

31 4. COMPLIES WITH SUBSECTION C OF THIS SECTION.

32 C. THE OWNER OF THE CERTIFIED HISTORIC STRUCTURE THAT IS THE
33 SUBJECT OF THE APPLICATION FOR CERTIFICATION UNDER THIS SECTION GRANTS A
34 RESTRICTIVE COVENANT TO THE STATE HISTORIC PRESERVATION OFFICER FOR THE
35 HOLDING PERIOD AND AGREES THAT ALTERATIONS MAY NOT BE MADE TO THE
36 CERTIFIED HISTORIC STRUCTURE DURING THE HOLDING PERIOD:

37 1. THAT ARE INCONSISTENT WITH THE STANDARDS FOR REHABILITATION OF
38 THE SECRETARY OF THE UNITED STATES DEPARTMENT OF THE INTERIOR AS
39 DETERMINED BY THE STATE HISTORIC PRESERVATION OFFICER.

40 2. WITHOUT THE STATE HISTORIC PRESERVATION OFFICER'S APPROVAL.

41 D. THE STATE HISTORIC PRESERVATION OFFICER SHALL INCLUDE IN ITS
42 CERTIFICATION THE AMOUNT OF THE TAX CREDIT FOR WHICH A REHABILITATION
43 QUALIFIES.

44 E. THE STATE HISTORIC PRESERVATION OFFICER SHALL PRESCRIBE THE FORM
45 OF APPLICATION FOR THE CERTIFICATION OF THE REHABILITATION. EXCEPT FOR

1 THE COST-BENEFIT ANALYSIS REQUIRED BY THIS SECTION, THE STATE HISTORIC
2 PRESERVATION OFFICER MAY RELY ON THE FACTS PROVIDED IN THE APPLICATION
3 WITHOUT THE NEED FOR AN INDEPENDENT INVESTIGATION. FOR REHABILITATIONS
4 WITH QUALIFIED EXPENSES OF \$1,500,000 OR MORE, THE AMOUNT OF THE QUALIFIED
5 REHABILITATION EXPENSES AND THE AMOUNT OF THE CREDIT FOR WHICH A
6 REHABILITATION QUALIFIES SHALL BE CERTIFIED BY A CERTIFIED PUBLIC
7 ACCOUNTANT LICENSED IN THIS STATE AND FILED AS PART OF THE APPLICATION FOR
8 CERTIFICATION. THE STATE HISTORIC PRESERVATION OFFICER MAY AUTHORIZE A
9 CERTIFIED LOCAL GOVERNMENT TO PERFORM THE CERTIFICATION PROCESS REQUIRED
10 BY THIS SECTION.

11 F. WITHIN NINETY DAYS AFTER RECEIVING THE APPLICATION FOR
12 CERTIFICATION, THE STATE HISTORIC PRESERVATION OFFICER SHALL ISSUE TO THE
13 APPLICANT A WRITTEN DETERMINATION EITHER DENYING OR APPROVING THE
14 REHABILITATION AND CERTIFYING THE AMOUNT OF THE TAX CREDIT ALLOWABLE.

15 G. IF THE STATE HISTORIC PRESERVATION OFFICER BECOMES AWARE OF
16 INFORMATION THAT IS MATERIALLY INCONSISTENT WITH THE INFORMATION PROVIDED
17 IN THE APPLICATION FOR CERTIFICATION, THE STATE HISTORIC PRESERVATION
18 OFFICER MAY DENY THE REQUEST FOR CERTIFICATION OR REVOKE AN ALREADY-ISSUED
19 CERTIFICATION.

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

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

33 J. THE STATE HISTORIC PRESERVATION OFFICER SHALL:

34 1. CHARGE A FEE FOR EACH APPLICATION AS FOLLOWS:

35 (a) FOR REHABILITATIONS WITH QUALIFIED REHABILITATION EXPENSES THAT
36 ARE LESS THAN \$15,000, NO APPLICATION FEE.

37 (b) FOR REHABILITATIONS WITH QUALIFIED REHABILITATION EXPENSES THAT
38 ARE AT LEAST \$15,000 BUT LESS THAN \$50,000, \$250.

39 (c) FOR REHABILITATIONS WITH QUALIFIED REHABILITATION EXPENSES THAT
40 ARE AT LEAST \$50,000 BUT LESS THAN \$100,000, \$500.

41 (d) FOR REHABILITATIONS WITH QUALIFIED REHABILITATION EXPENSES THAT
42 ARE AT LEAST \$100,000 BUT LESS THAN \$500,000, \$750.

43 (e) FOR REHABILITATIONS WITH QUALIFIED REHABILITATION EXPENSES THAT
44 ARE \$500,000 OR MORE, FIFTEEN PERCENT OF THE QUALIFIED REHABILITATION
45 EXPENSES.

1 2. USE THE MONIES FOR THE COSTS OF IMPLEMENTING AND ADMINISTERING
2 THE APPLICATION AND CERTIFICATION PROCESS PRESCRIBED IN THIS SECTION. THE
3 FEES RECEIVED BY THE STATE HISTORIC PRESERVATION OFFICER UNDER THIS
4 SUBSECTION DO NOT REVERT TO THE STATE GENERAL FUND.

5 K. THE STATE HISTORIC PRESERVATION OFFICER MAY CERTIFY SUBSTANTIAL
6 REHABILITATIONS OF CERTIFIED HISTORIC STRUCTURES FOR THE PURPOSE OF TAX
7 CREDITS UNDER SECTIONS 43-1080 AND 43-1166 IN A COMBINED ANNUAL AGGREGATE
8 AMOUNT OF \$30,000,000 FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER
9 31, 2023. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2033,
10 THE STATE HISTORIC PRESERVATION OFFICER MAY CERTIFY AN ADDITIONAL COMBINED
11 ANNUAL AGGREGATE AMOUNT OF UP TO \$30,000,000 FOR THE TAX CREDITS UNDER
12 SECTIONS 43-1080 AND 43-1166.

13 L. TO THE EXTENT NOT OTHERWISE PROHIBITED BY LAW, THE STATE
14 HISTORIC PRESERVATION OFFICER SHALL PROVIDE TO THE DEPARTMENT OF REVENUE
15 INFORMATION THE DEPARTMENT REQUESTS TO DETERMINE A CLAIMANT'S ELIGIBILITY
16 FOR A TAX CREDIT CLAIMED UNDER SECTION 43-1080 OR 43-1166.

17 M. FOR THE PURPOSES OF THIS SECTION:

18 1. "CERTIFIED HISTORIC STRUCTURE" MEANS A PROPERTY THAT IS LOCATED
19 IN THIS STATE AND IS EITHER:

20 (a) LISTED INDIVIDUALLY IN THE NATIONAL REGISTER OF HISTORIC
21 PLACES.

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

23 (c) LOCATED IN A REGISTERED HISTORIC DISTRICT AND CERTIFIED BY
24 EITHER THE STATE HISTORIC PRESERVATION OFFICER OR THE SECRETARY OF THE
25 UNITED STATES DEPARTMENT OF THE INTERIOR AS BEING OF HISTORIC SIGNIFICANCE
26 TO THE DISTRICT.

27 2. "CERTIFIED LOCAL GOVERNMENT" MEANS A LOCAL GOVERNMENT THAT IS
28 CERTIFIED BY THE STATE HISTORIC PRESERVATION OFFICER AS HAVING THE
29 CAPACITY TO ADMINISTER PRESERVATION PROGRAMS, INCLUDING THE CERTIFICATION
30 PROCESS REQUIRED BY THIS SECTION.

31 3. "HOLDING PERIOD" MEANS TWENTY-FOUR MONTHS AFTER THE STATE
32 HISTORIC PRESERVATION OFFICER ISSUES A FINAL CERTIFICATION UNDER THIS
33 SECTION OR, IF THE REHABILITATION IS TO BE COMPLETED IN PHASES,
34 TWENTY-FOUR MONTHS AFTER THE CERTIFICATION OF THE FINAL PHASE OF THE
35 REHABILITATION.

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

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

42 6. "QUALIFIED REHABILITATION EXPENSE":

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

1 (i) DEPRECIABLE UNDER THE INTERNAL REVENUE CODE.
2 (ii) HELD FOR SALE BY THE OWNER, OTHER THAN THE PRINCIPAL RESIDENCE
3 OF THE OWNER.

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

7 7. "REGISTERED HISTORIC DISTRICT" MEANS ANY DISTRICT LISTED IN THE
8 NATIONAL REGISTER OF HISTORIC PLACES OR ARIZONA REGISTER OF HISTORIC
9 PLACES.

10 8. "STATE HISTORIC PRESERVATION OFFICER" MEANS THE STATE HISTORIC
11 PRESERVATION OFFICER DESIGNATED PURSUANT TO SECTION 41-511.02.

12 9. "SUBSTANTIAL REHABILITATION" MEANS THAT, WITH REGARD TO A
13 CERTIFIED HISTORIC STRUCTURE, THE QUALIFIED REHABILITATION EXPENSES OF THE
14 CERTIFIED HISTORIC STRUCTURE DURING A TWENTY-FOUR-MONTH PERIOD, OR A
15 SIXTY-MONTH PERIOD IF THE REHABILITATION IS TO BE DONE IN PHASES SET FORTH
16 IN ARCHITECTURAL PLANS AND SPECIFICATIONS THAT ARE COMPLETED BEFORE THE
17 REHABILITATION BEGINS, CHOSEN BY THE TAXPAYER ENDING WITH OR WITHIN THE
18 TAXABLE YEAR EXCEED THE GREATER OF \$5,000 OR TWENTY-FIVE PERCENT OF THE
19 ADJUSTED BASIS IN THE CERTIFIED HISTORIC STRUCTURE AND ITS STRUCTURAL
20 COMPONENTS.

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

23 43-222. Income tax credit review schedule

24 The joint legislative income tax credit review committee shall
25 review the following income tax credits:

26 1. For years ending in 0 and 5, sections 43-1079.01, 43-1088,
27 43-1089.04, 43-1167.01 and 43-1175.

28 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
29 43-1075, 43-1076.01, 43-1077, 43-1078, 43-1083, 43-1083.02, 43-1162,
30 43-1164.03 and 43-1183.

31 3. For years ending in 2 and 7, sections 43-1073, 43-1082, 43-1085,
32 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164,
33 43-1165, and 43-1181.

34 4. For years ending in 3 and 8, sections 43-1074.01, 43-1080,
35 43-1166, 43-1168, 43-1170 and 43-1178.

36 5. For years ending in 4 and 9, sections 43-1073.01, 43-1081.01,
37 43-1083.03, 43-1084, 43-1164.04, 43-1164.05 and 43-1184.

38 Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes,
39 is amended by adding section 43-1080, to read:

40 43-1080. Credit for historic preservation; definitions

41 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2023
42 THROUGH DECEMBER 31, 2033, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED
43 BY THIS TITLE FOR QUALIFIED REHABILITATION EXPENSES FOR THE SUBSTANTIAL
44 REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE ONLY IF THE TAXPAYER HAS

1 CERTIFICATION FROM THE STATE HISTORIC PRESERVATION OFFICER ISSUED UNDER
2 SECTION 41-882.

3 B. THE AMOUNT OF THE CREDIT IS:

4 1. TWENTY PERCENT OF THE QUALIFIED REHABILITATION EXPENSES FOR
5 SUBSTANTIAL REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE.

6 2. TWENTY-FIVE PERCENT OF THE QUALIFIED REHABILITATION EXPENSES FOR
7 SUBSTANTIAL REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE THAT IS ALSO
8 A CERTIFIED AFFORDABLE HOUSING PROJECT.

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

12 D. TO CLAIM A CREDIT, AN APPLICANT SHALL APPLY TO THE STATE
13 HISTORIC PRESERVATION OFFICER FOR CERTIFICATION ISSUED PURSUANT TO SECTION
14 41-882 AFTER COMPLETION OF THE REHABILITATION WORK. THE CERTIFICATION
15 SHALL INCLUDE THE AMOUNT OF THE TAX CREDIT FOR WHICH THE REHABILITATION
16 QUALIFIES.

17 E. THE CERTIFICATION SHALL BE ATTACHED TO ANY FILED RETURN THAT
18 CLAIMS A CREDIT UNDER THIS SECTION.

19 F. THE DEPARTMENT MAY REQUEST INFORMATION FROM THE STATE HISTORIC
20 PRESERVATION OFFICER FOR THE PURPOSE OF DETERMINING A CLAIMANT'S
21 ELIGIBILITY FOR CREDITS CLAIMED, AND THE STATE HISTORIC PRESERVATION
22 OFFICER SHALL PROVIDE THE REQUESTED INFORMATION TO THE EXTENT ALLOWED BY
23 LAW.

24 G. IF THE ALLOWABLE TAX CREDIT EXCEEDS TAXES OTHERWISE DUE UNDER
25 THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER
26 THIS TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER
27 THIS TITLE MAY BE CARRIED FORWARD TO THE NEXT TEN CONSECUTIVE TAXABLE
28 YEARS AS A CREDIT AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

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

39 I. AN APPLICANT WHO DOES NOT CLAIM THE CREDITS ALLOWED UNDER THIS
40 SECTION, IN WHOLE OR IN PART, MAY ASSIGN, TRANSFER OR SELL THE TAX CREDITS
41 TO ANY PERSON, INCLUDING CONDOMINIUM OWNERS IF THE CERTIFIED HISTORIC
42 STRUCTURE IS CONVERTED INTO CONDOMINIUMS. THE ASSIGNEE, TRANSFEREE OR
43 BUYER OF THE TAX CREDITS MAY USE THE ACQUIRED CREDITS AGAINST THE TAX
44 IMPOSED BY THIS TITLE AND MAY CARRY FORWARD THE TAX CREDITS FOR TEN
45 CONSECUTIVE TAXABLE YEARS AFTER THE DATE THE CERTIFIED HISTORIC STRUCTURE

1 IS PLACED IN SERVICE. THE ASSIGNOR, TRANSFEROR OR SELLER SHALL NOTIFY THE
2 DEPARTMENT IN WRITING WITHIN THIRTY DAYS AFTER AN ASSIGNMENT, TRANSFER OR
3 SALE UNDER THIS SUBSECTION AND SHALL PROVIDE THE DEPARTMENT WITH ANY
4 INFORMATION REQUIRED BY THE DEPARTMENT.

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

11 K. A TAXPAYER THAT CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM
12 A CREDIT UNDER SECTION 43-1166.

13 L. FOR THE PURPOSES OF THIS SECTION:

14 1. "CERTIFIED HISTORIC STRUCTURE" MEANS A PROPERTY THAT IS LOCATED
15 IN THIS STATE AND IS EITHER:

16 (a) LISTED INDIVIDUALLY IN THE NATIONAL REGISTER OF HISTORIC
17 PLACES.

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

19 (c) LOCATED IN A REGISTERED HISTORIC DISTRICT AND CERTIFIED BY
20 EITHER THE STATE HISTORIC PRESERVATION OFFICER OR THE SECRETARY OF THE
21 UNITED STATES DEPARTMENT OF THE INTERIOR AS BEING OF HISTORIC SIGNIFICANCE
22 TO THE DISTRICT.

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

27 3. "PRINCIPAL RESIDENCE" MEANS A PRINCIPAL RESIDENCE AS PRESCRIBED
28 IN SECTION 121 OF THE INTERNAL REVENUE CODE.

29 4. "QUALIFIED REHABILITATION EXPENSE":

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

33 (i) DEPRECIABLE UNDER THE INTERNAL REVENUE CODE.

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

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

39 5. "REGISTERED HISTORIC DISTRICT" MEANS ANY DISTRICT LISTED IN THE
40 NATIONAL REGISTER OF HISTORIC PLACES OR ARIZONA REGISTER OF HISTORIC
41 PLACES.

42 6. "STATE HISTORIC PRESERVATION OFFICER" MEANS THE STATE HISTORIC
43 PRESERVATION OFFICER DESIGNATED PURSUANT TO SECTION 41-511.02.

44 7. "SUBSTANTIAL REHABILITATION" MEANS THAT, WITH REGARD TO A
45 CERTIFIED HISTORIC STRUCTURE, THE QUALIFIED REHABILITATION EXPENSES OF THE

1 CERTIFIED HISTORIC STRUCTURE DURING A TWENTY-FOUR-MONTH PERIOD, OR A
2 SIXTY-MONTH PERIOD IF THE REHABILITATION IS TO BE DONE IN PHASES SET FORTH
3 IN ARCHITECTURAL PLANS AND SPECIFICATIONS THAT ARE COMPLETED BEFORE THE
4 REHABILITATION BEGINS, CHOSEN BY THE TAXPAYER ENDING WITH OR WITHIN THE
5 TAXABLE YEAR EXCEED THE GREATER OF \$5,000 OR TWENTY-FIVE PERCENT OF THE
6 ADJUSTED BASIS IN THE CERTIFIED HISTORIC STRUCTURE AND ITS STRUCTURAL
7 COMPONENTS.

8 Sec. 4. Title 43, chapter 11, article 6, Arizona Revised Statutes,
9 is amended by adding section 43-1166, to read:

10 43-1166. Credit for historic preservation; definitions

11 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2023
12 THROUGH DECEMBER 31, 2033, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED
13 BY THIS TITLE FOR QUALIFIED REHABILITATION EXPENSES FOR THE SUBSTANTIAL
14 REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE ONLY IF THE TAXPAYER HAS
15 CERTIFICATION FROM THE STATE HISTORIC PRESERVATION OFFICER ISSUED UNDER
16 SECTION 41-882.

17 B. THE AMOUNT OF THE CREDIT IS:

18 1. TWENTY PERCENT OF THE QUALIFIED REHABILITATION EXPENSES FOR
19 SUBSTANTIAL REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE.

20 2. TWENTY-FIVE PERCENT OF THE QUALIFIED REHABILITATION EXPENSES FOR
21 SUBSTANTIAL REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE THAT IS ALSO
22 A CERTIFIED AFFORDABLE HOUSING PROJECT.

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

26 D. TO CLAIM A CREDIT, AN APPLICANT SHALL APPLY TO THE STATE
27 HISTORIC PRESERVATION OFFICER FOR CERTIFICATION ISSUED PURSUANT TO SECTION
28 41-882 AFTER COMPLETION OF THE REHABILITATION WORK. THE CERTIFICATION
29 SHALL INCLUDE THE AMOUNT OF THE TAX CREDIT FOR WHICH THE REHABILITATION
30 QUALIFIES.

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

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

38 G. 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 H. 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 I. 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 J. 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 K. A TAXPAYER THAT CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM
25 A CREDIT UNDER SECTION 43-1080.

26 L. FOR THE PURPOSES OF THIS SECTION:

27 1. "CERTIFIED HISTORIC STRUCTURE" MEANS A PROPERTY THAT IS LOCATED
28 IN THIS STATE AND IS EITHER:

29 (a) LISTED INDIVIDUALLY IN THE NATIONAL REGISTER OF HISTORIC
30 PLACES.

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

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

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

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

1 4. "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 5. "REGISTERED HISTORIC DISTRICT" MEANS ANY DISTRICT LISTED IN THE
12 NATIONAL REGISTER OF HISTORIC PLACES OR ARIZONA REGISTER OF HISTORIC
13 PLACES.
14 6. "STATE HISTORIC PRESERVATION OFFICER" MEANS THE STATE HISTORIC
15 PRESERVATION OFFICER DESIGNATED PURSUANT TO SECTION 41-511.02.
16 7. "SUBSTANTIAL REHABILITATION" MEANS THAT, WITH REGARD TO A
17 CERTIFIED HISTORIC STRUCTURE, THE QUALIFIED REHABILITATION EXPENSES OF THE
18 CERTIFIED HISTORIC STRUCTURE DURING A TWENTY-FOUR-MONTH PERIOD, OR A
19 SIXTY-MONTH PERIOD IF THE REHABILITATION IS TO BE DONE IN PHASES SET FORTH
20 IN ARCHITECTURAL PLANS AND SPECIFICATIONS THAT ARE COMPLETED BEFORE THE
21 REHABILITATION BEGINS, CHOSEN BY THE TAXPAYER ENDING WITH OR WITHIN THE
22 TAXABLE YEAR EXCEED THE GREATER OF \$5,000 OR TWENTY-FIVE PERCENT OF THE
23 ADJUSTED BASIS IN THE CERTIFIED HISTORIC STRUCTURE AND ITS STRUCTURAL
24 COMPONENTS.
25 Sec. 5. Purpose
26 Pursuant to section 43-223, Arizona Revised Statutes, the
27 legislature enacts sections 43-1080 and 43-1166, Arizona Revised Statutes,
28 to create economic incentives for the purpose of stimulating the
29 redevelopment and reuse of historic structures in this state.