

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE DRS85209-LY-166 (3/13)

Short Title: Historic District Infill Tax Credit. (Public)

Sponsors: Senator Clodfelter.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE FOR A TAX CREDIT FOR DEVELOPERS OF INFILL
3 PROJECTS IN HISTORIC DISTRICTS.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. The title of Article 3D of Chapter 105 of the General Statutes
6 reads as rewritten:

7 "Article 3D.

8 Historic Rehabilitation and Downtown Infill Construction Tax Credits."

9 SECTION 2. Article 3D of Chapter 105 of the General Statutes is amended
10 by adding a new section to read:

11 "**§ 105-129.36B. Credit for new construction in historic downtowns.**

12 (a) Credit. – A taxpayer is allowed a credit equal to twenty percent (20%) of
13 construction expenditures to build new income-producing structures on vacant
14 individual lots in a local or national historic downtown district. To claim the credit
15 allowed by this subsection, the taxpayer must provide a copy of a certificate of
16 appropriateness issued by the local historic preservation commission.

17 (b) Definitions. – The following definitions apply in this section:

18 (1) Construction expenditures. – Expenses incurred in the construction of
19 a structure and added to the property's basis, including architectural
20 and engineering fees and site work. The term excludes the cost of
21 acquiring the property, the cost of development fees, and the cost of
22 personal property.

23 (2) Local or national historic downtown district. – The primary
24 commercial or business area, if any, in any of the following:

25 a. A National Register Historic District.

26 b. A local historic district certified by the United States
27 Department of the Interior.

1 c. A locally designated historic district created under the authority
2 of Part 3C of Article 19 of Chapter 160A of the General
3 Statutes.

4 (3) Historic preservation commission. – A design review committee,
5 formed under the authority of Part 3C of Article 19 of Chapter 160A of
6 the General Statutes, including a majority of members with a
7 demonstrated special interest in architecture, history, or related fields.

8 (4) Certificate of appropriateness. – Certification, based on criteria
9 established by the historic preservation commission, that ensures that
10 new construction in a historic district is appropriate to the special
11 character of the district and sensitive to neighboring buildings, in the
12 same manner as required by Part 3C of Article 19 of Chapter 160A of
13 the General Statutes for rehabilitation.

14 (c) Allocation. – Notwithstanding the provisions of G.S. 105-131.8 and
15 G.S. 105-269.15, a pass-through entity that qualifies for the credit provided in this
16 section may allocate the credit among any of its owners in its discretion as long as an
17 owner's adjusted basis in the pass-through entity, as determined under the Code, at the
18 end of the taxable year in which the certified historic structure is placed in service, is at
19 least forty percent (40%) of the amount of credit allocated to that owner. Owners to
20 whom a credit is allocated are allowed the credit as if they had qualified for the credit
21 directly. A pass-through entity and its owners must include with their tax returns for
22 every taxable year in which an allocated credit is claimed a statement of the allocation
23 made by the pass-through entity and the allocation that would have been required under
24 G.S. 105-131.8 or G.S. 105-269.15."

25 **SECTION 3.** G.S. 105-129.37(d) reads as rewritten:

26 "(d) Forfeiture for Change in Ownership. – If an owner of a pass-through entity
27 that has qualified for the credit allowed under G.S. 105-129.35 or G.S. 105-129.37
28 disposes of all or a portion of the owner's interest in the pass-through entity within five
29 years from the date the rehabilitated historic structure or downtown infill structure is
30 placed in service and the owner's interest in the pass-through entity is reduced to less
31 than two-thirds of the owner's interest in the pass-through entity at the time the historic
32 structure or downtown infill structure was placed in service, the owner forfeits a portion
33 of the credit. The amount forfeited is determined by multiplying the amount of credit by
34 the percentage reduction in ownership and then multiplying that product by the
35 forfeiture percentage. The forfeiture percentage equals the recapture percentage found
36 in the table in section 50(a)(1)(B) of the Code. The remaining allowable credit is
37 allocated equally among the five years in which the credit is claimed."

38 **SECTION 4.** This act is effective for taxable years beginning on or after
39 January 1, 2007.