

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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HOUSE BILL 899

Short Title: Historic Rehab: Disguised Sales. (Public)

Sponsors: Representatives Ross and Saine (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Commerce and Job Development, if favorable, Finance

April 26, 2017

A BILL TO BE ENTITLED
AN ACT TO MODIFY THE HISTORIC REHABILITATION TAX CREDITS TO PREVENT
DISGUISED SALES TREATMENT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-129.105 reads as rewritten:

"§ 105-129.105. Credit for rehabilitating income-producing historic structure.

(a) Credit. – A taxpayer who is allowed a federal income tax credit under section 47 of the Code for making qualified rehabilitation expenditures for a certified historic structure located in this State is allowed a credit equal to the sum of the following:

(1) Base amount. – The percentage of qualified rehabilitation expenditures at the levels provided in the table below:

Expenses	Up To	Rate
Over		
0	\$10 million	15.00%
\$10 million	\$20 million	10.00%

(2) Development tier bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars (\$20,000,000) if the certified historic structure is located in a development tier one or two area.

(3) Targeted investment bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars (\$20,000,000) if the certified historic structure is located on an eligible targeted investment site.

(b) Pass-Through Entity. – Notwithstanding the provisions of G.S. 105-131.8 and G.S. 105-269.15, and without regard to any provision of the Code or regulations promulgated pursuant to the Code that may be interpreted to the contrary or treating it as a disguised sale, a pass-through entity that qualifies for the credit provided in this section may allocate the credit among any of its owners in its discretion as long as an owner's adjusted basis in the pass-through entity, as determined under the Code, at the end of the taxable year in which the certified historic structure is placed in service, is at least forty percent (40%) of the amount of credit allocated to that owner. Owners to whom a credit is allocated are allowed the credit as if they had qualified for the credit directly. A pass-through entity and its owners must include with their tax returns for every taxable year in which an allocated credit is claimed a statement of the allocation made by the pass-through entity and the allocation that would have been required under G.S. 105-131.8 or G.S. 105-269.15.



- 1 (c) Definitions. – The following definitions apply in this section:
2 (1) Certified historic structure. – Defined in section 47 of the Code.
3 (2) Development tier area. – Defined in G.S. 143B-437.08.
4 (3) Eligibility certification. – A certification obtained from the State Historic
5 Preservation Officer that the site comprises an eligible targeted investment
6 site.
7 (4) Eligible targeted investment site. – A site located in this State that satisfies
8 all of the following conditions:
9 a. It was used as a manufacturing facility or for purposes ancillary to
10 manufacturing, as a warehouse for selling agricultural products, or as
11 a public or private utility.
12 b. It is a certified historic structure.
13 c. It has been at least sixty-five percent (65%) vacant for a period of at
14 least two years immediately preceding the date the eligibility
15 certification is made.
16 (5) Pass-through entity. – Defined in G.S. 105-228.90.
17 (6) Qualified rehabilitation expenditures. – Defined in section 47 of the Code.
18 (7) State Historic Preservation Officer. – The Deputy Secretary of the Office of
19 Archives and History of the North Carolina Department of Natural and
20 Cultural Resources, or the Deputy Secretary's designee, who acts to
21 administer the historic preservation programs within the State.
22 (8) Targeted investment. – Qualified rehabilitation expenditures on a certified
23 historic structure that is located on an eligible targeted investment site.
24 (d) Limitations. – The amount of credit allowed under this section with respect to
25 qualified rehabilitation expenditures for an income-producing certified historic structure may
26 not exceed four million five hundred thousand dollars (\$4,500,000).
27 (e) 2014 and 2015 Expenses. – A taxpayer is eligible for a credit under this section for
28 taxable years beginning on or after January 1, 2016, for qualifying rehabilitation expenditures
29 that were incurred in 2014 and 2015 if all of the following conditions are met:
30 (1) The certified historic structure is located in a Tier 1 or a Tier 2 county.
31 (2) The certified historic structure is owned by a city.
32 (3) The qualifying rehabilitation activity commenced in 2014.
33 (4) A certificate of occupancy is issued on or before December 31, 2015.
34 (5) The taxpayer meets all of the other conditions in this section."
35 **SECTION 2.** This act is effective when it becomes law.