



Rhode Island Division of Taxation

State of Rhode Island and Providence Plantations
Department of Revenue

Advisory

August 2, 2013

ADV 2013-17

Historic tax credits oversubscribed; Division of Taxation to hold drawing

The Rhode Island Division of Taxation has received applications for more than \$54 million in historic tax credits – which is about \$20 million more than are available. As a result, the Division of Taxation will hold a drawing later this month to allocate the available credits.

“In reopening the historic tax credit program, Governor Lincoln Chafee and the General Assembly clearly anticipated that there would be great interest in the program from developers seeking to rehabilitate historic structures in the state,” said Tax Administrator David M. Sullivan. “But until now, we did not know precisely how much interest there’d be. I’m pleased to see that 39 projects throughout the state have applied for the credits so far.”

The historic tax credit program has generally been closed since 2008. Certain projects were essentially grandfathered and continue. However, some other projects have been “abandoned” – leaving about \$34.5 million in credits available but unclaimed as of May 15, 2013.

It is those unused credits that will be available to qualified applicants. The reopened program – which involves “historic preservation tax credits” – is a result of legislation approved by the General Assembly and signed into law by Governor Chafee on July 3, 2013. It is intended to encourage the redevelopment and reuse of historic buildings and help spur economic growth.

Details of drawing

Through the close of business on Thursday, August 1, 2013, the Division of Taxation received 39 applications seeking \$54.2 million in credits – which is \$19.7 million greater than available. As a result, the Division of Taxation will hold a drawing on Tuesday, August 27, 2013. It will take place at 10 a.m. in Conference Room A at the Department of Administration building (the Powers building), One Capitol Hill, Providence, R.I.

Late next week, the Division of Taxation will begin mailing letters to applicants – mainly developers of historic structures, or their representatives – confirming receipt of their applications, inviting them to the drawing, and providing them with their unique application number to be used in the drawing. (The application number is used to preserve taxpayer confidentiality.)

Through the drawing, the agency will pull each number to establish a queue. In general, those at the front of the queue will essentially be approved for inclusion in the program – earning the right to claim available credits at a later date if their completed applications are approved and they clear certain other hurdles.

After the drawing, the agency will notify all applicants by mail of the drawing results. Those who have earned the right to claim the credits at a later date will be advised of the requirement to seek approval of Parts 1 and 2 of the Rhode Island Historical Preservation & Heritage Commission's application, available on the Commission's website: www.preservation.ri.gov/credits. Those who did not earn the right to claim the credits will be advised that they will remain in queue in case someone ahead of them drops out.

Other points

■ The new program generally provides a credit of 20 percent (25 percent in certain circumstances) for qualified rehabilitation expenditures (QREs) incurred on or after July 3, 2013, for new or existing historical rehabilitation projects. The maximum project credit is \$5 million. No building to be completed in phases or in multiple projects may exceed the maximum project credit of \$5 million for all phases or projects involved in the rehabilitation of the building. In general, credits may be claimed by any person, firm, partnership, trust, estate, limited liability company, corporation, or other business entity that incurs QREs and meets certain other provisions of the law. In general, credits are allowed for the taxable year in which the certified historic structure is placed in service, and may be applied against the state business corporation tax, franchise tax, public service corporation tax, tax on banks, tax on insurance companies, and personal income tax. Credits may be sold or assigned to a third party.

■ More information about the program is available at the Commission's website: www.preservation.ri.gov/credits. Or contact Donna Dube, principal revenue agent, Rhode Island Division of Taxation, One Capitol Hill, Providence R.I. 02908. Phone: (401) 574-8903. E-mail: Donna.Dube@tax.ri.gov. The Division of Taxation posted an Advisory about the program [on July 17](#) and another [on July 25](#).

■ At this time, the Division of Taxation cannot disclose project details or applicants' identities, due to state laws that keep taxpayer information confidential except in certain limited circumstances. But a new law provides that, at some point in the future, the Division of Taxation must publicly identify each year the original recipient of each historic preservation tax credit – including the recipient's name, address, and amount of such credit received in the previous state fiscal year.

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