

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.