

1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend and reenact § 58.1-339.2 of the Code of Virginia, relating to historic rehabilitation tax*
 3 *credit.*

4 [H 960]

5 Approved

6 **Be it enacted by the General Assembly of Virginia:**7 **1. That § 58.1-339.2 of the Code of Virginia is amended and reenacted as follows:**8 **§ 58.1-339.2. Historic rehabilitation tax credit.**

9 A. Effective for taxable years beginning on and after January 1, 1997, any individual, trust or estate,
 10 or corporation incurring eligible expenses in the rehabilitation of a certified historic structure shall be
 11 entitled to a credit against the tax imposed by Articles 2 (§ 58.1-320 et seq.), 6 (§ 58.1-360 et seq.) and
 12 10 (§ 58.1-400 et seq.) of Chapter 3; Chapter 12 (§ 58.1-1200 et seq.); Article 1 (§ 58.1-2500 et seq.) of
 13 Chapter 25; and Article 2 (§ 58.1-2620 et seq.) of Chapter 26, in accordance with the following
 14 schedule:

15 Year	% of Eligible Expenses
16 1997	10%
17 1998	15%
18 1999	20%
19 2000 and thereafter	25%

20 If the amount of such credit exceeds the taxpayer's tax liability for such taxable year, the amount that
 21 exceeds the tax liability may be carried over for credit against the taxes of such taxpayer in the next ten
 22 taxable years or until the full credit is used, whichever occurs first. Credits granted to a partnership or
 23 electing small business corporation (S corporation) shall be passed through to the partners or
 24 shareholders, respectively. Credits granted to a partnership or electing small business corporation (S
 25 corporation) shall be allocated among all partners or shareholders, respectively, either in proportion to
 26 their ownership interest in such entity or as the partners or shareholders mutually agree as provided in
 27 an executed document, the form of which shall be prescribed by the Director of the Department of
 28 Historic Resources.

29 B. Effective for taxable years beginning on and after January 1, 2000, any individual, trust, estate, or
 30 corporation resident in Virginia that incurs eligible expenses in the rehabilitation of a certified historic
 31 structure in any other state that has in effect a reciprocal historic structure rehabilitation tax credit
 32 program and agreement for residents of that state who rehabilitate historic structures in Virginia shall be
 33 entitled to a credit to the same extent as provided in subsection A and other applicable provisions of
 34 law; however, no eligible party shall receive any credit authorized under this subsection prior to taxable
 35 years beginning on and after January 1, 2002.

36 C. 1. To claim the credit authorized under this section, the taxpayer shall apply to the Virginia
 37 Department of Historic Resources, which shall determine the amount of eligible rehabilitation expenses
 38 and issue a certificate thereof to the taxpayer. The taxpayer shall attach the certificate to the Virginia tax
 39 return on which the credit is claimed.

40 2. *a.* For taxable years beginning on and after January 1, 2017, *but before January 1, 2025*, the
 41 amount of the credit that may be claimed by each taxpayer, including amounts carried over from prior
 42 taxable years, shall not exceed \$5 million in any taxable year.

43 *b.* For taxable years beginning on and after January 1, 2025, the amount of the credit that may be
 44 claimed by each taxpayer, including amounts carried over from prior taxable years, shall not exceed
 45 \$7.5 million in any taxable year.

46 D. When used in this section:

47 "Certified historic structure" means a property listed individually on the Virginia Landmarks Register,
 48 or certified by the Director of the Virginia Department of Historic Resources as contributing to the
 49 historic significance of a historic district that is listed on the Virginia Landmarks Register or certified by
 50 the Director of the Virginia Department of Historic Resources as meeting the criteria for listing on the
 51 Virginia Landmarks Register.

52 "Eligible rehabilitation expenses" means expenses incurred in the material rehabilitation of a certified
 53 historic structure and added to the property's capital account.

54 "Material rehabilitation" means improvements or reconstruction consistent with "The Secretary of the
 55 Interior's Standards for Rehabilitation," the cost of which amounts to at least fifty percent of the
 56 assessed value of such building for local real estate tax purposes for the year prior to the initial

57 expenditure of any rehabilitation expenses, unless the building is an owner-occupied building, in which
58 case the cost shall amount to at least twenty-five percent of the assessed value of such building for local
59 real estate tax purposes for the year prior to the initial expenditure of any rehabilitation expenses.

60 "Owner-occupied building" means any building that is used as a personal residence by the owner.

61 E. The Director of the Department of Historic Resources shall establish by regulation the
62 requirements needed for this program, including the fees to defray necessary expenses thereof, and,
63 except as otherwise prohibited by this section, the extent to which the availability of the credit provided
64 by this section is coextensive with the availability of the federal tax credit for the rehabilitation of
65 certified historic resources.

66 F. Any gain or income under federal law from the allocation or application of a tax credit under this
67 section shall not be (i) taxable gain or income for purposes of the tax imposed pursuant to Article 2
68 (§ 58.1-320 et seq.), (ii) taxable gain or income for purposes of the tax imposed pursuant to Article 6
69 (§ 58.1-360 et seq.), or (iii) taxable gain or income for purposes of the tax imposed pursuant to Article
70 10 (§ 58.1-400 et seq.). However, nothing in this subsection shall be construed or interpreted as allowing
71 a subtraction or deduction for such gain or income under federal law if the gain or income is otherwise
72 excluded, deducted, or subtracted in computing the respective tax set forth under clauses (i) through (iii).