

HISTORIC PRESERVATION TAX CREDIT CHANGES

Prior Law

A refundable tax credit is available for 25% of the qualified rehabilitation costs incurred for the substantial rehabilitation of eligible property in Iowa. To be eligible, the property or district must be any of the following:

- Listed on the National Register of Historic Places or eligible for such a listing;
- Designated as having historic significance to a district listed in the National Register of Historic Places or be eligible for such a listing;
- Designated by a city or county ordinance as a local landmark; or
- A barn constructed before 1937.

In order to qualify for the tax credit, a rehabilitation project must be registered with and approved by the State Historic Preservation Office (SHPO) of the Department of Cultural Affairs (DCA). Tax credits are reserved for approved projects using a lottery system. The SHPO may reserve tax credits up to three years in advance. The program is funded for up to \$45 million in tax credits per fiscal year. The \$45 million is divided between multiple project categories:

- 10% of the tax credit award funding must be awarded to small projects (\$750,000 or less);
- 30% must be awarded to projects in cultural and entertainment districts;
- 20% must be awarded to disaster recovery projects;
- 20% must be awarded to projects involving the creation of more than 500 new permanent jobs; and
- 20% must be awarded to other eligible projects.

Projects must be completed within 60 months of the date of approval, unless more than 50% of the qualified rehabilitation costs are incurred within 60 months, in which case the completion deadline is extended to 72 months from the date of approval.

After the project is complete, and the project is reviewed, a tax credit certificate is issued for 25% of the final qualified rehabilitation costs. Regardless of when the project is completed, the tax credit may not be claimed prior to the year for which it was reserved.

New Provisions

The new provisions apply only to projects approved on or after July 1, 2014.

The \$45 million cap remains in place. However, with the exception of the small project category, the \$45 million is no longer divided between specified project categories. Instead, such priorities will be evaluated as part of the registration application criteria. Going forward, 5% of the \$45 million is allocated to small projects.

Tax credits are no longer awarded using a lottery system. Instead, a new registration application will be used and applications will be reviewed and scored based on project-readiness. Eligibility for the tax credit will be determined based on application scores. The three-year reservation system is eliminated. Completed projects may claim the tax credit on a tax return once the tax credit certificate is issued.

Approved projects will enter into an agreement with the DCA. The amount of the tax credit is 25% of the qualified rehabilitation expenditures specified in the agreement, plus a percentage of allowable overage expenses that is based on total project size. If final expenses are lower than the amount specified in the agreement, the award will be 25% of final expenses.

Projects must be completed within 36 months of the commencement date.

Sections Amended

Section 2 of 2014 Iowa Acts House File 2453 amends Iowa Code section 404A.1, Code 2014. Section 3 amends section 404A.2, Code 2014. Section 4 amends section 404A.3, Code 2014. Section 5 amends Iowa Code section 404A.4, Code 2014. Section 6 amends section 404A.5, Code 2014. Section 7 amends, chapter 404A, Code 2014, by adding a new section, 404A.6.

Effective Date

July 1, 2014