

The Preservation League of New York State

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**Project Spotlights:  
Homeowner and Commercial Tax Credit  
Programs - Case Studies and Impacts**

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**LSWNY 2013 Preservation Conference  
Brockport, New York  
April 20, 2013**

**Daniel Mackay, Director of Public Policy  
Preservation League of New York State**

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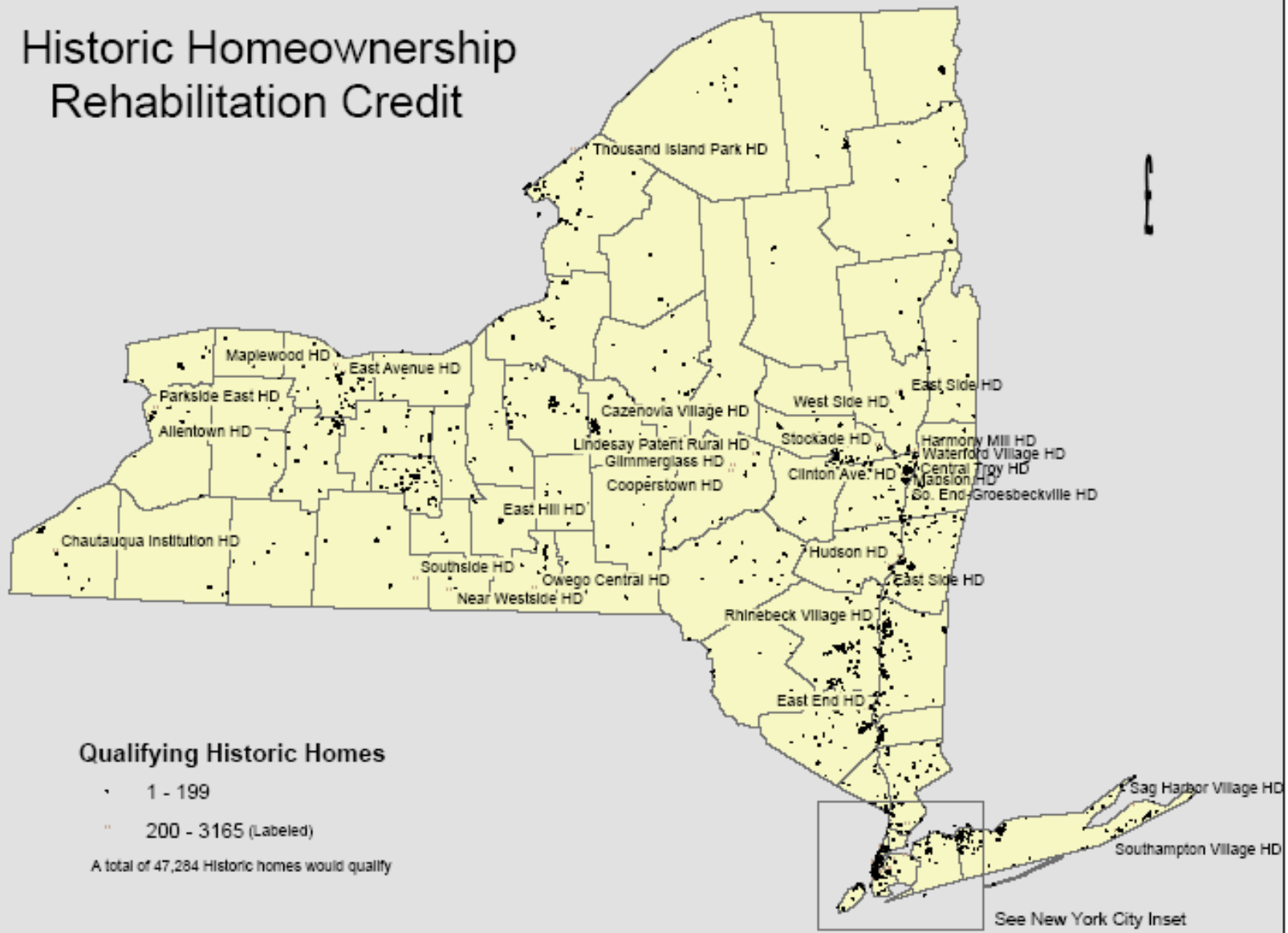
# Preservation League of New York State

- Statewide not-for-profit historic preservation advocacy organization, founded in 1974
  - Major program components:
    - Technical Services
    - Grant making and Endangered Properties Fund
    - Communications and Awards
    - Public Policy
  - Offices in Albany and Ithaca
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# NYS Rehabilitation Tax Credit Programs

<b><u>Historic Homeowner RTC</u></b>	<b><u>Commercial Property RTC</u></b>
Owner-occupied historic structures	Income-producing property, including rental residential
Located in qualified census tract	
State <u>or</u> National Register-listed, or contributing structure in such districts	National Register-listed, or contributing structure in such districts
Minimum \$5000 in proposed work	Rehab expenses must exceed the greater of “adjusted basis” or \$5000
	Must use Federal RTC
No complementary federal credit	Complementary Federal credit

# Historic Homeownership Rehabilitation Credit



# NYS Historic Homeowner RTC:

## Program for owner-occupied residential property

	Chapter 547	Chapter 239 (Existing Program)	2013 Enacted NYS Budget
<b>Availability:</b>	Ultra-distressed census tracts (70% of population below 80% State Median Family Income)	Census tracts at or below 100% State Median Family Income (SMFI), census tracts qualified under IRC 143(j)	Census tracts at or below 100% State Median Family Income (SMFI), from American Community Survey data
<b>Qualified Buildings:</b>	National & State Register	National & State Register	National & State Register
<b>Credit Rate:</b>	20% of qualified rehabilitation costs	20% of qualified rehabilitation costs	20% of qualified rehabilitation costs
<b>Credit Cap:</b>	\$25,000	\$50,000	\$50,000
<b>Rebate Provision:</b>	None	Credit can be taken as rebate for those earning <\$60,000	Credit can be taken as rebate for those earning <\$60,000
<b>Effective Date:</b>	Former program	Current program	Proposed program
<b>Sunset:</b>	None	December 31, 2014	December 21, 2019

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# **NYS Historic Homeowner Credit: Program Use to Date**

**2007 – 2009: 15 applicants**

(former program, “ultra-distressed” census tracts)

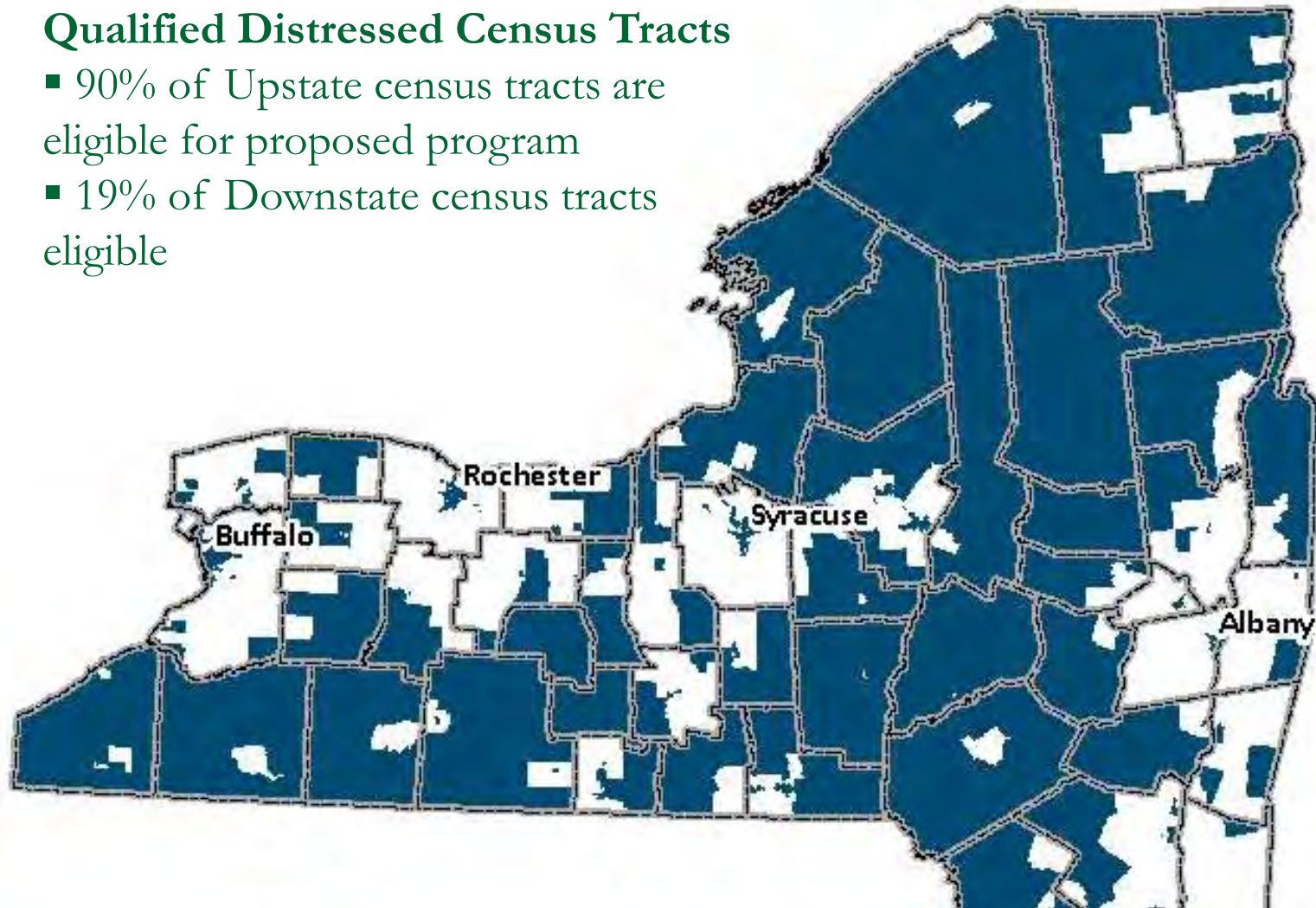
**2010 – 2013: 814 applicants**

(expanded program; “distressed” census tracts)

- **Applications from 60 municipalities in 40 counties; total reinvestment of \$20.6 million at a cost of \$4.1 million in credits.**
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## Qualified Distressed Census Tracts

- 90% of Upstate census tracts are eligible for proposed program
- 19% of Downstate census tracts eligible



# NYS Historic Homeowner Credit: Western and Central NY Use

<u>County</u>	<u>Municipalities</u>
■ Cayuga	Auburn (5)
■ Chemung	Elmira (7)
■ Erie	Buffalo (128), Sardinia (1)
■ Monroe	Rochester (27)
■ Niagara	Lockport (1), Niagara Falls (7)
■ Onondaga	Syracuse (4)
■ Orleans	Barre (2), Holley (1), Middleport (1)
■ Oswego	Mexico (1), Oswego (4)
■ Seneca	Seneca Falls (1), Waterloo (1)
■ Steuben	Corning (1)
■ Wayne	Palmyra (1)
■ Yates	Penn Yan (1)

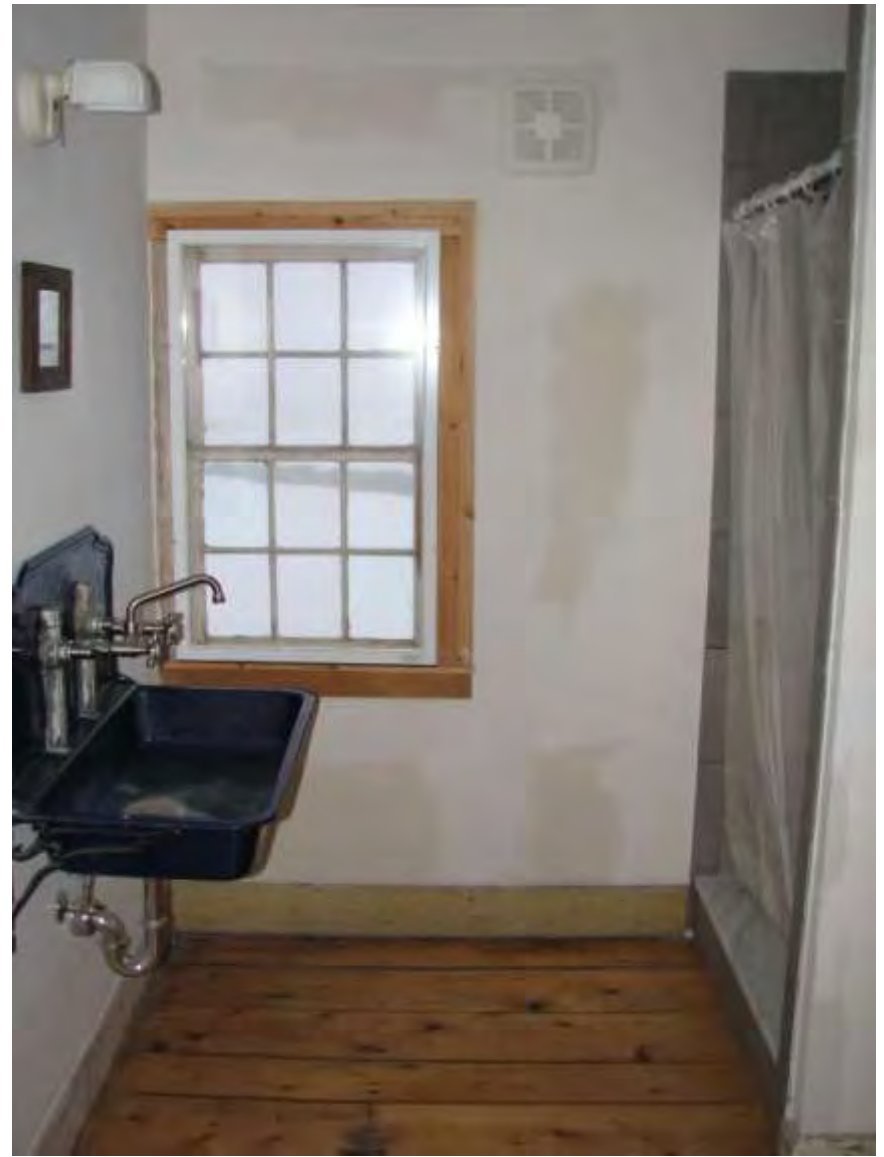


















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# NYS Historic Homeowner Credit:

## Typical Qualifying Work

- Repairing/upgrading windows
  - Plumbing repairs & fixtures
  - Refinishing floors, handrails, doors, etc.
  - Repairing/replacing roofs
  - Compatible new kitchens & baths
  - Reversing incompatible remodels
  - Painting walls, trim, etc.
  - Repointing masonry
  - Reconstructing historic porches
  - New furnace, A/C, boiler, insulation, etc.
  - New floor & wall coverings
  - Electrical upgrades
  - Repair/replacing sills
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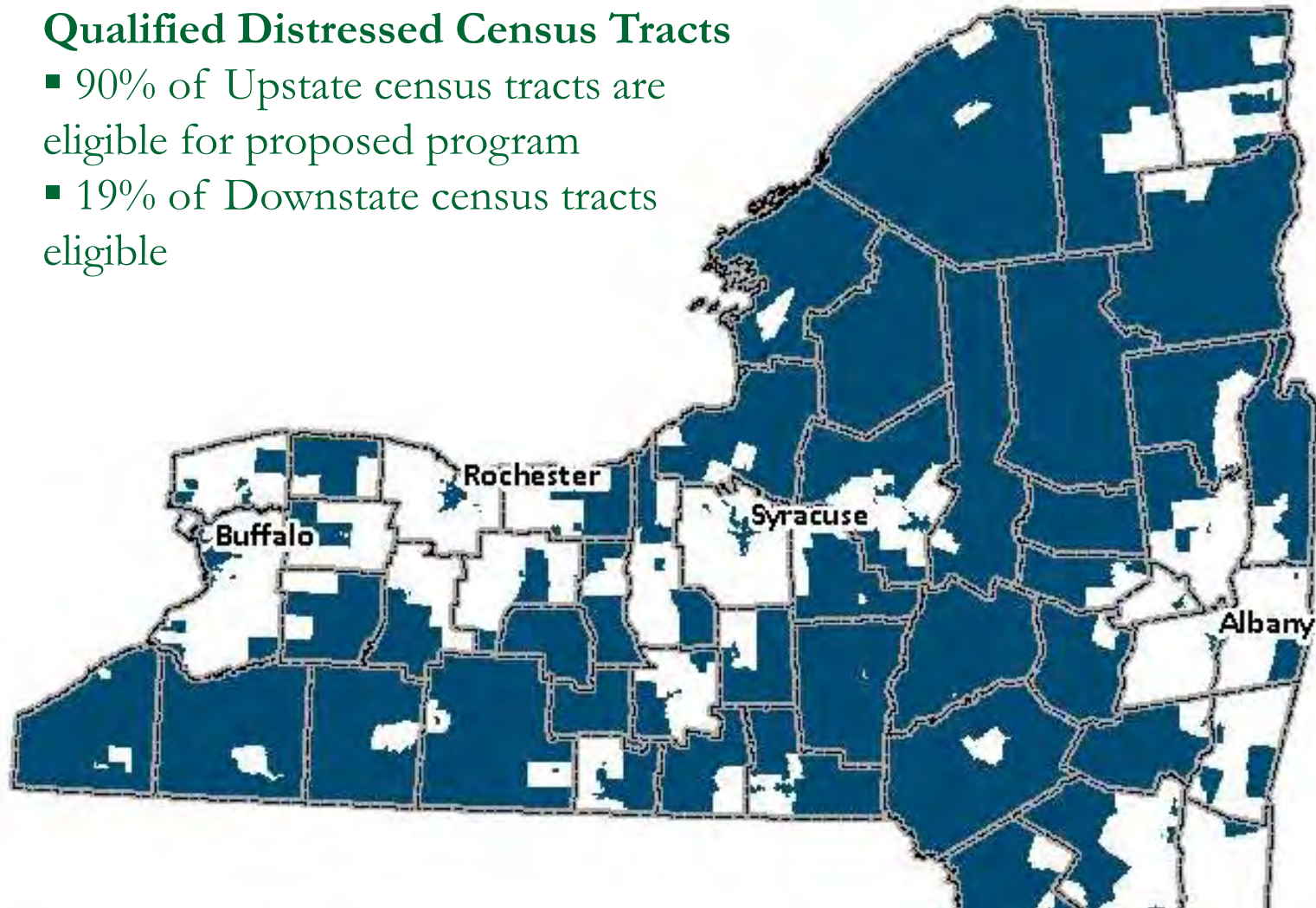
# Federal Historic Homeowner Legislation: H.R. 877

<u>NYS Homeowner RTC</u>	<u>Federal Homeowner RTC (Proposed)</u>
Owner-occupied historic structures	
Located in qualified census tract	Statewide
State <u>or</u> National Register-listed, or contributing structure in such districts	National Register-listed, or contributing structure in such districts
Minimum \$5000 in proposed work	Rehab expenses must exceed the greater of “adjusted basis” or \$5000
Maximum credit \$50,000	Maximum credit \$60,000



## Qualified Distressed Census Tracts

- 90% of Upstate census tracts are eligible for proposed program
- 19% of Downstate census tracts eligible



# NYS Rehabilitation Tax Credit Programs

<b><u>Historic Homeowner RTC</u></b>	<b><u>Commercial Property RTC</u></b>
Owner-occupied historic structures	Income-producing property, including rental residential
Located in qualified census tract	
State <u>or</u> National Register-listed, or contributing structure in such districts	National Register-listed, or contributing structure in such districts
Minimum \$5000 in proposed work	Rehab expenses must exceed the greater of “adjusted basis” or \$5000
	Must use Federal RTC
No complementary federal credit	Complementary Federal credit

# Federal Rehabilitation Tax Credit: “Adjusted Basis”

	Example 1	Example 2
	Recent Purchaser	Long-time owner
Purchase Price:	\$130,000	\$130,000
- Land Value:	- \$33,000	- \$33,000
- Depreciation:	- \$0	- \$70,000
+ Capital Improvements:	<u>+ \$0</u>	<u>+ \$15,000</u>
= Adjusted Basis	\$97,000	\$42,000
Qualifying expenses must exceed the adjusted basis		

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# New York State Rehabilitation Tax Credit Advocacy: Background

Assessment of federal Rehabilitation Tax Credit use in New York State, **1997-2005**:

- Of the nearly **\$320 million** in federal rehabilitation tax credits allocated to New York State projects, approximately **\$280 million** were allocated to projects in New York City and the Boroughs.
  - Of the **\$40 million** in federal rehabilitation credits allocated to projects outside of New York City, **only \$12 million** were allocated to projects north and west of the Capital Region.
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# **NYS Rehabilitation Tax Credit Programs: Legislative and Statutory History**

## **1997 – 2005:**

Initial advocacy for state credit for residential rehabilitation.

## **2006: Chapter 547 of the Laws of 2006**

Establishes both commercial and residential property tax credit programs in NYS

## **2007-2008:**

Renewed advocacy to promote tax credit program expansion to increase incentives levels and more effective targeting

## **2009: Chapter 239 of the Laws of 2009**

Secured expanded programs with fiscal constraints

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# **NYS Rehabilitation Tax Credit Programs: Legislative and Statutory History**

## **2010: Chapter 472 of the Laws of 2010**

Enhanced the commercial credit by increasing the number of corporate taxes to which the credit can apply.

## **2011-2012:**

Advocacy to promote tax credit enhancements for the commercial program: establish refundability, extend program and identify effective mechanism for increasing the maximum per-project cap for the commercial program

## **2013: Enacted Budget Agreement**

Secured 5 year extensions for the commercial and historic homeowner (owner-occupied residential) programs, makes the commercial credit “refundable” for projects certified after 1/1/2015

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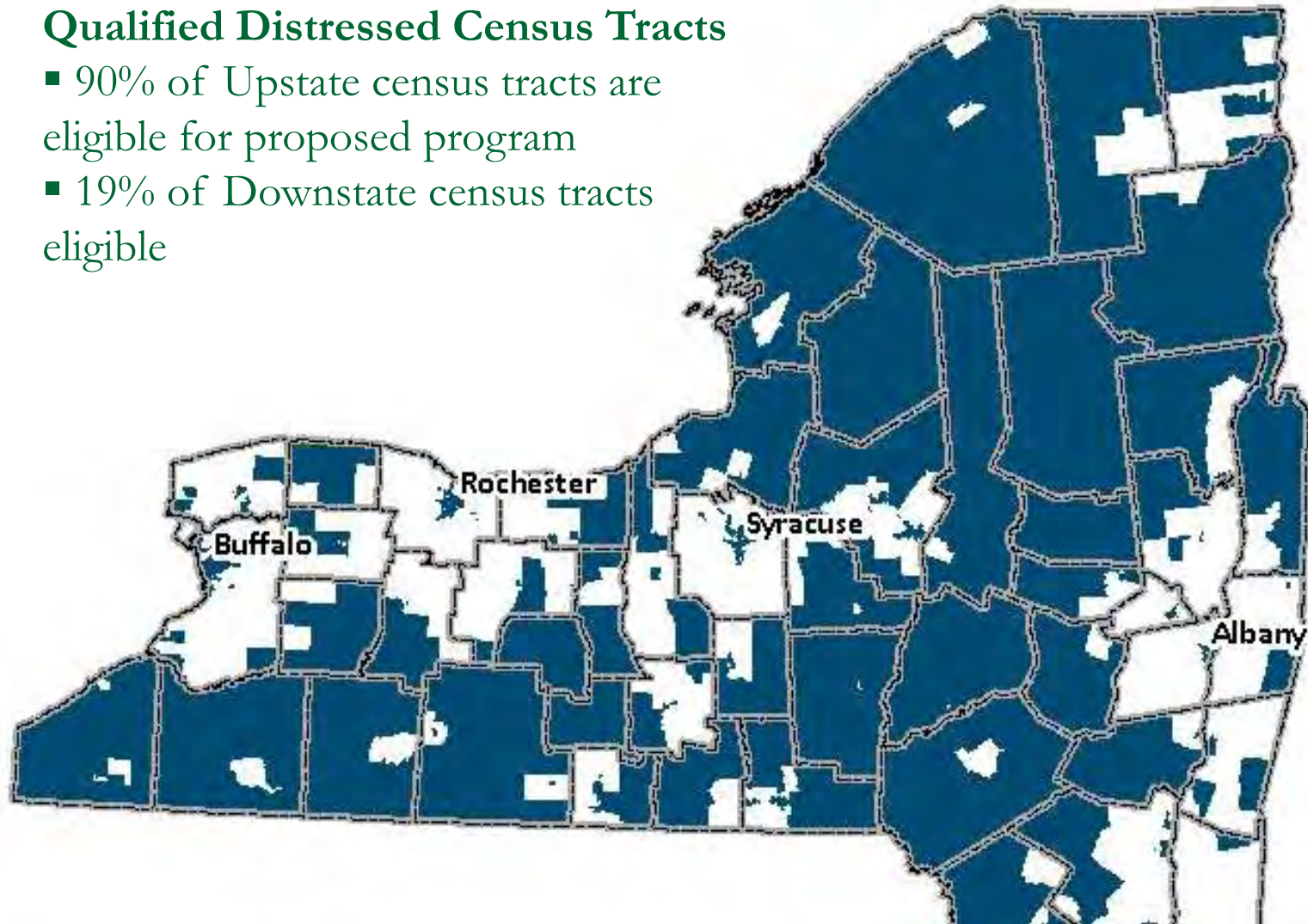
# NYS Rehabilitation Tax Credit: Commercial Property Program

	Chapter 547 of the Laws of 2006	Chapter 239 of the Laws of 2009	2013 Enacted NYS Budget
Availability	Statewide	Census tracts at or below 100% State Median Family Income (SMFI), census tracts qualified under IRC 143(j)	Census tracts at or below 100% State Median Family Income (SMFI), from American Community Survey data
Qualified Buildings	National Register	National Register	National Register
Credit Rate:	30% of federal credit value (6% credit rate)	100% of federal credit value (20% credit rate)	100% of federal credit value (20% credit rate)
Maximum Credit Cap:	\$100,000	\$5 million	\$5 million
Allocation:	Credit allocation only to entity receiving the federal credit	Credit allocation only to entity receiving the federal credit	Refund or credit allocation only to entity receiving the federal credit
Effective Date:	Former program	Current program	January 1, 2015
Sunset	None	December 31, 2014	December 31, 2019



## Qualified Distressed Census Tracts

- 90% of Upstate census tracts are eligible for proposed program
- 19% of Downstate census tracts eligible





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# NYS Commercial Credit: Program Use as of December 2012

- **1995-2007:**

- 5% in federal rehabilitation credits allocated to projects to projects west and north of Albany

- **2010 – 2012:**

- 70% of federal rehabilitation credit applications coming from projects west and north of Albany (Part I's)

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# Proposed Expansion to the Federal RTC: CAPP Act

- 30% Federal Credit for projects under \$5 million in qualified rehabilitation expenses (\$25 million+ renovation)
- State rehabilitation tax credits used in project no longer subject to federal taxation
- Up to 2% additional credits for energy demonstrated energy efficiency and energy conservation gains

Receiving significant support from Senator Schumer.

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- **Daniel Mackay**

Director of Public Policy

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