

REFERENCE TITLE: income tax credit; historic preservation

State of Arizona  
House of Representatives  
Fifty-second Legislature  
Second Regular Session  
2016

## **HB 2619**

Introduced by  
Representative Otondo

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 43-1075; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1163; 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 Statutes,  
3 is amended by adding section 41-882, to read:

4 41-882. Historic preservation tax credit; definitions

5 A. THE ARIZONA STATE PARKS BOARD SHALL RECEIVE APPLICATIONS AND  
6 EVALUATE AND CERTIFY THE SUBSTANTIAL REHABILITATION OF A HISTORIC STRUCTURE  
7 FOR THE PURPOSE OF INCOME TAX CREDITS UNDER SECTIONS 43-1075 AND  
8 43-1163. THE BOARD MAY AUTHORIZE A QUALIFIED LOCAL GOVERNMENT AGENCY TO  
9 PERFORM THE CERTIFICATION PROCESS, USING THE FORMS AND APPLYING THE STANDARDS  
10 AND POLICIES ADOPTED BY THE BOARD OR OTHERWISE REQUIRED BY THIS SECTION. FOR  
11 THE PURPOSES OF THIS SUBSECTION, "QUALIFIED LOCAL GOVERNMENT AGENCY" MEANS AN  
12 AGENCY OF A COUNTY, CITY OR TOWN THAT IS IDENTIFIED AND DESIGNATED BY THE  
13 BOARD AS HAVING THE CAPACITY TO ADMINISTER PRESERVATION PROGRAMS, INCLUDING  
14 THE CERTIFICATION PROCESS REQUIRED BY THIS SECTION.

15 B. THE BOARD SHALL ESTABLISH AND ADOPT A SCHEDULE FOR RECEIVING,  
16 EVALUATING AND APPROVING APPLICATIONS TWICE EACH YEAR FOR CERTIFICATION UNDER  
17 THIS SECTION. SIXTY PERCENT OF THE ANNUAL AGGREGATE TAX CREDIT DOLLAR LIMIT  
18 PRESCRIBED BY SUBSECTION M OF THIS SECTION IS RESERVED EACH YEAR FOR  
19 CERTIFICATION DURING THE FIRST APPLICATION PERIOD OF REHABILITATION PROJECTS  
20 LOCATED IN CITIES AND TOWNS WITH A POPULATION OF LESS THAN ONE HUNDRED FIFTY  
21 THOUSAND PERSONS. THE REMAINDER OF THE ANNUAL AGGREGATE TAX CREDIT DOLLAR  
22 LIMIT MAY BE CERTIFIED IN THE SECOND APPLICATION PERIOD EACH YEAR WITH  
23 RESPECT TO REHABILITATION PROJECTS LOCATED ANYWHERE IN THIS STATE.

24 C. THE BOARD MAY ISSUE AN INITIAL CERTIFICATION BEFORE THE HISTORIC  
25 STRUCTURE IS PLACED IN SERVICE IF THE REHABILITATION IS CONSISTENT WITH THE  
26 STANDARDS FOR REHABILITATION PRESCRIBED BY THE SECRETARY OF THE UNITED STATES  
27 DEPARTMENT OF THE INTERIOR AS DETERMINED BY THE BOARD. THE INITIAL  
28 CERTIFICATION DOES NOT ENTITLE A TAXPAYER TO A CREDIT UNDER SECTION 43-1075  
29 OR 43-1163. FOR THE PURPOSES OF THIS SUBSECTION, "PLACED IN SERVICE" MEANS  
30 THAT THE REHABILITATION WORK HAS BEEN SUBSTANTIALLY COMPLETED TO ALLOW THE  
31 OCCUPANCY OF THE STRUCTURE OR AN IDENTIFIABLE PART OF THE STRUCTURE, OR THE  
32 OWNER HAS BEGUN DEPRECIATING THE QUALIFYING REHABILITATION EXPENSES,  
33 WHICHEVER OCCURS FIRST.

34 D. THE BOARD MAY ISSUE A FINAL CERTIFICATION FOR A REHABILITATION  
35 PROJECT THAT RECEIVED AN INITIAL CERTIFICATION IF, AFTER THE COMPLETION OF  
36 THE REHABILITATION WORK, THE REHABILITATION:

37 1. IS CONSISTENT WITH THE STANDARDS FOR REHABILITATION PRESCRIBED BY  
38 THE SECRETARY OF THE UNITED STATES DEPARTMENT OF THE INTERIOR AS DETERMINED  
39 BY THE BOARD.

40 2. PRODUCES A POSITIVE ECONOMIC IMPACT FOR THIS STATE OR THE LOCAL  
41 MUNICIPALITY UNDER THE COST-BENEFIT ANALYSIS REQUIRED UNDER SUBSECTION I OF  
42 THIS SECTION.

43 3. ACHIEVES THE MINIMUM NUMBER OF POINTS NECESSARY UNDER THE  
44 REHABILITATION GRADING SYSTEM ESTABLISHED BY THE BOARD PURSUANT TO SUBSECTION  
45 H OF THIS SECTION.

- 1 E. THE BOARD SHALL PRESCRIBE THE FORM OF APPLICATION FOR BOTH THE  
2 INITIAL AND FINAL CERTIFICATIONS OF THE REHABILITATION.
- 3 F. EXCEPT FOR THE COST-BENEFIT ANALYSIS REQUIRED BY SUBSECTION I OF  
4 THIS SECTION, THE BOARD MAY RELY ON FACTS AS STATED IN THE APPLICATION  
5 WITHOUT INDEPENDENT INVESTIGATION. THE AMOUNT OF THE QUALIFYING  
6 REHABILITATION EXPENSES SHALL BE DETERMINED BY A CERTIFIED PUBLIC ACCOUNTANT  
7 LICENSED IN THIS STATE AND FILED AS PART OF THE APPLICATION FOR FINAL  
8 CERTIFICATION.
- 9 G. IF THE BOARD BECOMES AWARE OF INFORMATION THAT IS MATERIALLY  
10 INCONSISTENT WITH THE INFORMATION PROVIDED IN THE APPLICATION FOR INITIAL OR  
11 FINAL CERTIFICATION, THE BOARD MAY DENY THE REQUEST FOR THE INITIAL OR FINAL  
12 CERTIFICATION OR REVOKE AN ISSUED INITIAL OR FINAL CERTIFICATION.
- 13 H. THE BOARD SHALL ADOPT AND USE A POINT SYSTEM FOR EVALUATING AND  
14 GRADING PROPOSED REHABILITATIONS OF HISTORIC STRUCTURES THAT ARE THE SUBJECT  
15 OF APPLICATIONS. POINTS SHALL BE AWARDED BASED ON POSITIVE JOB GROWTH,  
16 SIGNIFICANT POSITIVE ECONOMIC IMPACT AND COMMUNITY SUPPORT OF THE  
17 REHABILITATION PROPOSAL.
- 18 I. THE ARIZONA COMMERCE AUTHORITY SHALL CONDUCT A COST-BENEFIT  
19 ANALYSIS OF THE REHABILITATION PROJECT. THE BOARD MAY NOT ISSUE A FINAL  
20 CERTIFICATION UNLESS THE AUTHORITY DETERMINES AS A RESULT OF ITS ANALYSIS  
21 THAT THE PROPOSED REHABILITATION WILL PRODUCE A POSITIVE ECONOMIC IMPACT FOR  
22 THIS STATE OR THE LOCAL MUNICIPALITY ONCE THE CERTIFIED HISTORIC STRUCTURE IS  
23 IN USE.
- 24 J. WITHIN NINETY DAYS AFTER RECEIVING AN APPLICATION FOR FINAL  
25 CERTIFICATION, THE BOARD SHALL ISSUE TO THE APPLICANT A WRITTEN DETERMINATION  
26 EITHER APPROVING OR DENYING THE REHABILITATION AND CERTIFYING THE AMOUNT OF  
27 THE TAX CREDIT ALLOWED.
- 28 K. THE BOARD SHALL INCLUDE IN ITS FINAL CERTIFICATION THE AMOUNT OF  
29 THE TAX CREDIT FOR WHICH A REHABILITATION QUALIFIES AND ISSUE A NUMBERED  
30 CERTIFICATE OF QUALIFICATION TO THE OWNER OF THE HISTORIC STRUCTURE FOR  
31 PURPOSES OF FILING FOR INCOME TAX CREDIT.
- 32 L. THE BOARD SHALL CHARGE AND COLLECT A FEE OF 2.25 PERCENT OF THE  
33 QUALIFYING REHABILITATION EXPENSES FOR EACH APPLICATION. THE BOARD SHALL USE  
34 THE MONIES FOR THE COSTS OF IMPLEMENTING AND ADMINISTERING THE CERTIFICATION  
35 PROCESS PRESCRIBED BY THIS SECTION. THE FEES RECEIVED BY THE BOARD UNDER  
36 THIS SUBSECTION DO NOT REVERT TO THE STATE GENERAL FUND.
- 37 M. THE BOARD MAY CERTIFY SUBSTANTIAL REHABILITATIONS OF HISTORIC  
38 STRUCTURES FOR THE PURPOSE OF TAX CREDITS UNDER SECTIONS 43-1075 AND 43-1163  
39 IN AN ANNUAL AGGREGATE CREDIT AMOUNT OF NOT MORE THAN FIFTEEN MILLION DOLLARS  
40 FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2016 THROUGH DECEMBER  
41 31, 2036, EXCEPT THAT FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31,  
42 2026 THROUGH DECEMBER 31, 2036, AND CONDITIONED ON A FAVORABLE REVIEW BY THE  
43 JOINT LEGISLATIVE BUDGET COMMITTEE, THE BOARD MAY CERTIFY AN ADDITIONAL  
44 ANNUAL AGGREGATE CREDIT AMOUNT OF NOT MORE THAN FIFTEEN MILLION DOLLARS.

1 N. BY APPLYING FOR CERTIFICATION, THE OWNER OF THE HISTORIC STRUCTURE  
2 GRANTS A RESTRICTIVE COVENANT TO THE BOARD FOR THE HOLDING PERIOD AND AGREES  
3 THAT, UNLESS THE BOARD APPROVES, ALTERATIONS WILL NOT BE MADE TO THE HISTORIC  
4 STRUCTURE DURING THE HOLDING PERIOD THAT ARE INCONSISTENT WITH THE STANDARDS  
5 FOR REHABILITATION PRESCRIBED BY THE SECRETARY OF THE UNITED STATES  
6 DEPARTMENT OF THE INTERIOR AS DETERMINED BY THE BOARD. FOR THE PURPOSES OF  
7 THIS SUBSECTION, "HOLDING PERIOD" MEANS TWENTY-FOUR MONTHS AFTER THE BOARD  
8 ISSUES A FINAL CERTIFICATION UNDER THIS SECTION OR, IF THE REHABILITATION IS  
9 TO BE COMPLETED IN PHASES, TWENTY-FOUR MONTHS AFTER THE FINAL CERTIFICATION  
10 OF THE FINAL PHASE OF THE REHABILITATION.

11 O. TO THE EXTENT NOT OTHERWISE PROHIBITED BY LAW, THE BOARD SHALL  
12 PROVIDE TO THE DEPARTMENT OF REVENUE INFORMATION THE DEPARTMENT REQUESTS TO  
13 DETERMINE A CLAIMANT'S ELIGIBILITY FOR A TAX CREDIT CLAIMED UNDER SECTION  
14 43-1075 OR 43-1163.

15 P. FOR THE PURPOSES OF THIS SECTION:

16 1. "BOARD" MEANS THE ARIZONA STATE PARKS BOARD ESTABLISHED BY SECTION  
17 41-511.

18 2. "HISTORIC STRUCTURE" MEANS A PROPERTY THAT IS LOCATED IN THIS STATE  
19 AND IS EITHER:

20 (a) LISTED INDIVIDUALLY IN THE NATIONAL REGISTER OF HISTORIC PLACES.

21 (b) LISTED INDIVIDUALLY IN THE ARIZONA REGISTER OF HISTORIC PLACES.

22 (c) LOCATED IN A REGISTERED HISTORIC DISTRICT AND CERTIFIED BY EITHER  
23 THE BOARD OR THE SECRETARY OF THE UNITED STATES DEPARTMENT OF THE INTERIOR AS  
24 BEING OF HISTORIC SIGNIFICANCE TO THE DISTRICT. FOR THE PURPOSES OF THIS  
25 SUBDIVISION, "REGISTERED HISTORIC DISTRICT" MEANS ANY DISTRICT LISTED IN THE  
26 NATIONAL REGISTER OF HISTORIC PLACES OR ARIZONA REGISTER OF HISTORIC PLACES.

27 3. "QUALIFYING REHABILITATION EXPENSES":

28 (a) MEANS MONIES THAT ARE SPENT IN THE REHABILITATION OF A CERTIFIED  
29 HISTORIC STRUCTURE PROPERLY CAPITALIZED TO THE BUILDING AND THAT ARE SPENT  
30 WITH RESPECT TO PROPERTY THAT IS EITHER:

31 (i) DEPRECIABLE UNDER THE INTERNAL REVENUE CODE.

32 (ii) HELD FOR SALE BY THE OWNER, OTHER THAN THE PRINCIPAL RESIDENCE OF  
33 THE OWNER AS DEFINED IN SECTION 121 OF THE INTERNAL REVENUE CODE.

34 (b) EXCEPT FOR NONPROFIT CORPORATIONS, DOES NOT INCLUDE MONIES THAT  
35 ARE SPENT FROM DIRECT GRANTS FROM FEDERAL, STATE OR LOCAL AGENCIES OR  
36 INSTRUMENTALITIES.

37 4. "SUBSTANTIAL REHABILITATION" MEANS THAT THE QUALIFYING  
38 REHABILITATION EXPENSES OF THE CERTIFIED HISTORIC STRUCTURE DURING A  
39 TWENTY-FOUR-MONTH PERIOD CHOSEN BY THE TAXPAYER ENDING WITH OR WITHIN THE  
40 TAXABLE YEAR EXCEED FIFTY PERCENT OF THE ADJUSTED BASIS IN THE STRUCTURE AND  
41 ITS STRUCTURAL COMPONENTS. IF THE REHABILITATION IS TO BE DONE IN PHASES SET  
42 FORTH IN ARCHITECTURAL PLANS AND SPECIFICATIONS THAT ARE COMPLETED BEFORE THE  
43 REHABILITATION BEGINS, THE EXPENSE PERIOD IS EXTENDED TO SIXTY MONTHS.

1           Sec. 2. Section 43-222, Arizona Revised Statutes, is amended to read:  
2           43-222. Income tax credit review schedule

3           The joint legislative income tax credit review committee shall review  
4 the following income tax credits:

5           1. For years ending in 0 and 5, sections 43-1079.01, 43-1087, 43-1088,  
6 43-1089.04, 43-1167.01 and 43-1175.

7           2. For years ending in 1 and 6, sections 43-1075, 43-1074.02, 43-1083,  
8 43-1083.02, 43-1085.01, 43-1163, 43-1164.02, 43-1164.03 and 43-1183.

9           3. For years ending in 2 and 7, sections 43-1073, 43-1079, 43-1080,  
10 43-1085, 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1090,  
11 43-1164, 43-1167, 43-1169, 43-1176 and 43-1181.

12           4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168,  
13 43-1170 and 43-1178.

14           5. For years ending in 4 and 9, sections 43-1076, 43-1076.01,  
15 43-1081.01, 43-1083.01, 43-1083.04, 43-1084, 43-1162, 43-1162.01, 43-1164.01,  
16 43-1164.05, 43-1170.01 and 43-1184 and, beginning in 2019, sections  
17 43-1083.03 and 43-1164.04.

18           Sec. 3. Title 43, chapter 10, article 5, Arizona Revised Statutes, is  
19 amended by adding section 43-1075, to read:

20           43-1075. Credit for historic preservation; definitions

21           A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2016  
22 THROUGH DECEMBER 31, 2036, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY  
23 THIS TITLE FOR QUALIFYING REHABILITATION EXPENSES FOR THE SUBSTANTIAL  
24 REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE IF THE TAXPAYER HAS A FINAL  
25 CERTIFICATION ISSUED UNDER SECTION 41-882 BY THE ARIZONA STATE PARKS BOARD OR  
26 A QUALIFIED LOCAL GOVERNMENT AGENCY.

27           B. THE AMOUNT OF THE CREDIT IS EQUAL TO TWENTY PERCENT OF THE  
28 QUALIFYING REHABILITATION EXPENSES.

29           C. THE CREDIT IS ALLOWED FOR THE TAXABLE YEAR THAT THE CERTIFIED  
30 HISTORIC STRUCTURE OR IDENTIFIABLE PORTION OF THE HISTORIC STRUCTURE THAT  
31 MEETS THE SUBSTANTIAL REHABILITATION TEST IS PLACED IN SERVICE.

32           D. TO CLAIM A CREDIT, AN APPLICANT MUST OBTAIN A FINAL CERTIFICATION  
33 OF THE REHABILITATION PROJECT PURSUANT TO SECTION 41-882. THE FINAL  
34 CERTIFICATION MUST INCLUDE THE AMOUNT OF THE TAX CREDIT FOR WHICH THE  
35 REHABILITATION QUALIFIES. THE TAXPAYER MUST INCLUDE THE FINAL CERTIFICATION  
36 WITH THE INCOME TAX RETURN CLAIMING THE CREDIT UNDER THIS SECTION.

37           E. THE REHABILITATION OF A HISTORIC STRUCTURE THAT IS EXEMPT FROM REAL  
38 PROPERTY TAX IS INELIGIBLE FOR A CREDIT UNDER THIS SECTION. IF A CERTIFIED  
39 HISTORIC STRUCTURE UNDER SECTION 41-882 BECOMES EXEMPT FROM REAL PROPERTY TAX  
40 WITHIN TWENTY-FOUR MONTHS AFTER FINAL CERTIFICATION, THE CLAIMANT'S TAX  
41 LIABILITY FOR THE YEAR THAT THE CERTIFIED HISTORIC STRUCTURE BECOMES EXEMPT  
42 IS INCREASED BY THE TOTAL AMOUNT OF THE CREDIT ACTUALLY USED.

43           F. THE DEPARTMENT MAY REQUEST INFORMATION FROM THE BOARD FOR THE  
44 PURPOSE OF DETERMINING A CLAIMANT'S ELIGIBILITY FOR CREDITS CLAIMED, AND THE

1 BOARD SHALL PROVIDE THE REQUESTED INFORMATION TO THE EXTENT NOT OTHERWISE  
2 PROHIBITED BY LAW.

3 G. IF THE ALLOWABLE TAX CREDIT EXCEEDS TAXES OTHERWISE DUE UNDER THIS  
4 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS  
5 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE  
6 MAY BE CARRIED FORWARD TO THE NEXT TEN CONSECUTIVE TAXABLE YEARS AS A CREDIT  
7 AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

8 H. CO-OWNERS OF A BUSINESS, INCLUDING PARTNERS IN A PARTNERSHIP AND  
9 SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL  
10 REVENUE CODE, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF CREDIT ALLOWED UNDER  
11 THIS SECTION BASED ON OWNERSHIP INTEREST OR THE SHARE OF CREDIT ALLOWED  
12 PURSUANT TO AN EXECUTED AGREEMENT AMONG THE OWNERS, PARTNERS OR SHAREHOLDERS  
13 DOCUMENTING AN ALTERNATE DISTRIBUTION METHOD WITHOUT REGARD TO THE SHARING OF  
14 OTHER TAX OR ECONOMIC ATTRIBUTES OF THE BUSINESS. THE TOTAL OF THE CREDITS  
15 ALLOWED ALL THE OWNERS, PARTNERS OR SHAREHOLDERS MAY NOT EXCEED THE AMOUNT  
16 THAT WOULD HAVE BEEN ALLOWED A SOLE OWNER.

17 I. AN APPLICANT WHO DOES NOT CLAIM ALL OR PART OF THE CREDITS ALLOWED  
18 UNDER THIS SECTION MAY ASSIGN, TRANSFER OR SELL THE TAX CREDITS TO ANY  
19 PERSON, INCLUDING CONDOMINIUM OWNERS IF THE CERTIFIED HISTORIC STRUCTURE IS  
20 CONVERTED INTO CONDOMINIUMS. THE ASSIGNEE, TRANSFEREE OR BUYER OF THE TAX  
21 CREDITS MAY USE THE ACQUIRED CREDITS AGAINST THE TAX IMPOSED BY THIS TITLE  
22 AND MAY CARRY FORWARD THE TAX CREDITS FOR TEN CONSECUTIVE TAXABLE YEARS AFTER  
23 THE DATE THE CERTIFIED HISTORIC STRUCTURE IS PLACED IN SERVICE. THE  
24 ASSIGNOR, TRANSFEROR OR SELLER SHALL NOTIFY THE DEPARTMENT IN WRITING WITHIN  
25 THIRTY DAYS AFTER AN ASSIGNMENT, TRANSFER OR SALE UNDER THIS SUBSECTION AND  
26 SHALL PROVIDE THE DEPARTMENT WITH ANY INFORMATION REQUIRED BY THE  
27 DEPARTMENT. THE PROCEEDS OF ANY SALE, TRANSFER OR ASSIGNMENT OF TAX CREDITS  
28 RECEIVED BY THE APPLICANT UNDER THIS SUBSECTION ARE EXEMPT FROM THIS  
29 TITLE. IF A TAX CREDIT IS SUBSEQUENTLY RECAPTURED, REVOKED OR ADJUSTED, THE  
30 SELLER'S, TRANSFEROR'S OR ASSIGNOR'S TAXABLE INCOME SHALL BE INCREASED BY THE  
31 TOTAL AMOUNT OF THE SALE, TRANSFER OR ASSIGNMENT PROCEEDS IN THE TAXABLE YEAR  
32 OF THE RECAPTURE, REVOCATION OR ADJUSTMENT.

33 J. A TAXPAYER WHO CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM A  
34 CREDIT UNDER SECTION 43-1163.

35 K. FOR THE PURPOSES OF THIS SECTION, "BOARD", "HISTORIC STRUCTURE",  
36 "QUALIFYING REHABILITATION EXPENSES" AND "SUBSTANTIAL REHABILITATION" HAVE  
37 THE SAME MEANINGS PRESCRIBED IN SECTION 41-882.

38 Sec. 4. Title 43, chapter 11, article 6, Arizona Revised Statutes, is  
39 amended by adding section 43-1163, to read:

40 43-1163. Credit for historic preservation; definitions

41 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2016  
42 THROUGH DECEMBER 31, 2036, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY  
43 THIS TITLE FOR QUALIFYING REHABILITATION EXPENSES FOR THE SUBSTANTIAL  
44 REHABILITATION OF A CERTIFIED HISTORIC STRUCTURE IF THE TAXPAYER HAS A FINAL

1 CERTIFICATION ISSUED UNDER SECTION 41-882 BY THE ARIZONA STATE PARKS BOARD OR  
2 A QUALIFIED LOCAL GOVERNMENT AGENCY.

3 B. THE AMOUNT OF THE CREDIT IS EQUAL TO TWENTY PERCENT OF THE  
4 QUALIFYING REHABILITATION EXPENSES.

5 C. THE CREDIT IS ALLOWED FOR THE TAXABLE YEAR THAT THE CERTIFIED  
6 HISTORIC STRUCTURE OR IDENTIFIABLE PORTION OF THE HISTORIC STRUCTURE THAT  
7 MEETS THE SUBSTANTIAL REHABILITATION TEST IS PLACED IN SERVICE.

8 D. TO CLAIM A CREDIT, AN APPLICANT MUST OBTAIN A FINAL CERTIFICATION  
9 OF THE REHABILITATION PROJECT PURSUANT TO SECTION 41-882. THE FINAL  
10 CERTIFICATION MUST INCLUDE THE AMOUNT OF THE TAX CREDIT FOR WHICH THE  
11 REHABILITATION QUALIFIES. THE TAXPAYER MUST INCLUDE THE FINAL CERTIFICATION  
12 WITH THE INCOME TAX RETURN CLAIMING THE CREDIT UNDER THIS SECTION.

13 E. THE REHABILITATION OF A HISTORIC STRUCTURE THAT IS EXEMPT FROM REAL  
14 PROPERTY TAX IS INELIGIBLE FOR A CREDIT UNDER THIS SECTION. IF A CERTIFIED  
15 HISTORIC STRUCTURE UNDER SECTION 41-882 BECOMES EXEMPT FROM REAL PROPERTY TAX  
16 WITHIN TWENTY-FOUR MONTHS AFTER FINAL CERTIFICATION, THE CLAIMANT'S TAX  
17 LIABILITY FOR THE YEAR THAT THE CERTIFIED HISTORIC STRUCTURE BECOMES EXEMPT  
18 IS INCREASED BY THE TOTAL AMOUNT OF THE CREDIT ACTUALLY USED.

19 F. THE DEPARTMENT MAY REQUEST INFORMATION FROM THE BOARD FOR THE  
20 PURPOSE OF DETERMINING A CLAIMANT'S ELIGIBILITY FOR CREDITS CLAIMED, AND THE  
21 BOARD SHALL PROVIDE THE REQUESTED INFORMATION TO THE EXTENT NOT OTHERWISE  
22 PROHIBITED BY LAW.

23 G. IF THE ALLOWABLE TAX CREDIT EXCEEDS TAXES OTHERWISE DUE UNDER THIS  
24 TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE NO TAXES DUE UNDER THIS  
25 TITLE, THE AMOUNT OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE  
26 MAY BE CARRIED FORWARD TO THE NEXT TEN CONSECUTIVE TAXABLE YEARS AS A CREDIT  
27 AGAINST SUBSEQUENT YEARS' INCOME TAX LIABILITY.

28 H. CO-OWNERS OF A BUSINESS, INCLUDING CORPORATE PARTNERS IN A  
29 PARTNERSHIP, MAY EACH CLAIM ONLY THE PRO RATA SHARE OF CREDIT ALLOWED UNDER  
30 THIS SECTION BASED ON OWNERSHIP INTEREST OR THE SHARE OF CREDIT ALLOWED  
31 PURSUANT TO AN EXECUTED AGREEMENT AMONG THE OWNERS, PARTNERS OR SHAREHOLDERS  
32 DOCUMENTING AN ALTERNATE DISTRIBUTION METHOD WITHOUT REGARD TO THE SHARING OF  
33 OTHER TAX OR ECONOMIC ATTRIBUTES OF THE BUSINESS. THE TOTAL OF THE CREDITS  
34 ALLOWED ALL THE OWNERS, PARTNERS OR SHAREHOLDERS MAY NOT EXCEED THE AMOUNT  
35 THAT WOULD HAVE BEEN ALLOWED A SOLE OWNER.

36 I. AN APPLICANT WHO DOES NOT CLAIM ALL OR PART OF THE CREDITS ALLOWED  
37 UNDER THIS SECTION MAY ASSIGN, TRANSFER OR SELL THE TAX CREDITS TO ANY  
38 PERSON, INCLUDING CONDOMINIUM OWNERS IF THE CERTIFIED HISTORIC STRUCTURE IS  
39 CONVERTED INTO CONDOMINIUMS. THE ASSIGNEE, TRANSFEREE OR BUYER OF THE TAX  
40 CREDITS MAY USE THE ACQUIRED CREDITS AGAINST THE TAX IMPOSED BY THIS TITLE  
41 AND MAY CARRY FORWARD THE TAX CREDITS FOR TEN CONSECUTIVE TAXABLE YEARS AFTER  
42 THE DATE THE CERTIFIED HISTORIC STRUCTURE IS PLACED IN SERVICE. THE  
43 ASSIGNOR, TRANSFEROR OR SELLER SHALL NOTIFY THE DEPARTMENT IN WRITING WITHIN  
44 THIRTY DAYS AFTER AN ASSIGNMENT, TRANSFER OR SALE UNDER THIS SUBSECTION AND  
45 SHALL PROVIDE THE DEPARTMENT WITH ANY INFORMATION REQUIRED BY THE

1 DEPARTMENT. THE PROCEEDS OF ANY SALE, TRANSFER OR ASSIGNMENT OF TAX CREDITS  
2 RECEIVED BY THE APPLICANT UNDER THIS SUBSECTION ARE EXEMPT FROM THIS  
3 TITLE. IF A TAX CREDIT IS SUBSEQUENTLY RECAPTURED, REVOKED OR ADJUSTED, THE  
4 SELLER'S, TRANSFEROR'S OR ASSIGNOR'S TAXABLE INCOME SHALL BE INCREASED BY THE  
5 TOTAL AMOUNT OF THE SALE, TRANSFER OR ASSIGNMENT PROCEEDS IN THE TAXABLE YEAR  
6 OF THE RECAPTURE, REVOCATION OR ADJUSTMENT.

7 J. A TAXPAYER THAT CLAIMS A CREDIT UNDER THIS SECTION MAY NOT CLAIM A  
8 CREDIT UNDER SECTION 43-1075.

9 K. FOR THE PURPOSES OF THIS SECTION, "BOARD", "HISTORIC STRUCTURE",  
10 "QUALIFYING REHABILITATION EXPENSES" AND "SUBSTANTIAL REHABILITATION" HAVE  
11 THE SAME MEANINGS PRESCRIBED IN SECTION 41-882.

12 Sec. 5. Purpose

13 Pursuant to section 43-223, Arizona Revised Statutes, the legislature  
14 enacts sections 43-1075 and 43-1163, Arizona Revised Statutes, as added by  
15 this act, to create economic incentives to stimulate the redevelopment and  
16 reuse of historic structures in this state.