



WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2013 Senate Bill 132

**Senate Substitute Amendment 1
and Senate Amendment 1 to
Senate Substitute Amendment 1**

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Under current law, the Wisconsin tax code provides an income and franchise tax credit, in the amount of 10% of qualified rehabilitation expenditures, for certified historic structures, if the rehabilitated property meets certain qualifications. The state credit is a supplement to a similar federal tax credit, and applies, generally, to nonresidential property and residential rental property. In order to qualify for the credit, qualified rehabilitation expenditures must exceed \$50,000.

2013 SENATE BILL 132

2013 Senate Bill 132 would increase the amount of the state rehabilitation tax credit for certified historic structures to 20% of qualified rehabilitation expenditures. The bill also creates a new state rehabilitation tax credit, in the amount of 5% of qualified rehabilitation expenditures, for qualified rehabilitated buildings (generally, pre-1936 buildings that are not certified historic structures), if those expenditures exceed \$50,000. Under the bill, these increases would apply to property placed in service after December 31, 2012, and before January 1, 2023. The bill also provides for the sale or transfer of rehabilitation credits, and modifies the conditions and evidence of certification a taxpayer must provide in order to claim the rehabilitation credits. Additionally, the bill directs the Department of Revenue (DOR) and the State Historical Society to submit a report to the Joint Finance Committee, no later than June 30, 2018, that describes the economic impact of the historic rehabilitation tax credits, and recommends whether the credits should continue.

Senate Substitute Amendment 1

Senate Substitute Amendment 1 would increase the amount of the state rehabilitation tax credit for certified historic structures to 20% of qualified rehabilitation expenditures. The substitute amendment also creates a new state rehabilitation tax credit, in the amount of 20% of qualified rehabilitation expenditures, for qualified rehabilitated buildings, if those expenditures exceed \$50,000. As compared to Senate Bill 132, the substitute amendment does not contain the January 1, 2023 sunset date for the rehabilitation tax credits. Additionally, the substitute amendment specifies that property is

eligible for the new credit regardless of whether the rehabilitated property is used for multiple or revenue-producing purposes. However, the substitute amendment also specifies that the credit for qualified rehabilitated buildings may not be claimed for property that is listed in the state or national registers of historic places, and no credit may be claimed for nonhistoric, nonresidential property converted into housing if the property has previously been used for housing.

As compared to Senate Bill 132, the substitute amendment clarifies requirements for the evidence that must be presented by a taxpayer in order to claim the rehabilitation credit, and modifies an approval such that the approval must be provided by the state historic preservation officer rather than the Secretary of the Interior.

The substitute amendment specifies that the DOR must certify any sales or transfers of the rehabilitation tax credits and recognizes that nonprofit entities may sell or transfer the tax credits.

The substitute amendment includes reporting requirements with certain changes as compared to Senate Bill 132. Under the substitute amendment, the DOR and the State Historical Society must submit a report to the Joint Finance Committee, no later than June 30, 2016, that describes the economic impact of the historic rehabilitation tax credits, and recommends whether the credits should continue. The substitute amendment specifies that if it is determined that the cost of the tax credits to the state is greater than the investments made in order to claim the credits, the DOR shall recommend that the credits be discontinued.

Senate Amendment 1 to Senate Substitute Amendment 1

As noted above, the substitute amendment clarifies requirements for the evidence that must be presented by a taxpayer in order to claim the rehabilitation tax credit. *Senate Amendment 1* clarifies that this evidence, which relates to the registration of the property as historic in nature, applies only to claims for the tax credit for rehabilitation of certified historic structures.

LEGISLATIVE HISTORY

Senate Substitute Amendment 1 and Senate Amendment 1 to Senate Substitute Amendment 1 were introduced by Senator Gudex. On September 25, 2013, the Senate Committee on Workforce Development, Forestry, Mining, and Revenue recommended adoption of Senate Substitute Amendment 1 on a vote of Ayes, 4; Noes, 1, and recommended adoption of Senate Amendment 1 to Senate Substitute Amendment 1 on a vote of Ayes, 5; Noes, 0. The committee recommended passage of Senate Bill 132, as amended, on a vote of Ayes, 4; Noes, 1.

SG:jal