

# TENNESSEE HISTORIC TAX CREDITS

LEGISLATIVE FRAMEWORK – February 2021

Historic Tax Credit (HTC) programs are a useful tool for revitalization and economic development efforts in many states throughout the nation. Tennessee is **one of only twelve states** that does not have a state administered HTC.

This proposed legislative framework is intended to guide conversations for the creation of a Tennessee HTC Pilot Program.

## ADMINISTERING AGENCIES

The Tennessee Historical Commission will determine and approve eligibility. The Department of Revenue will administer the tax credit program.

## AGGREGATE ANNUAL STATE HISTORIC TAX CREDIT CAP

Recommended Annual Cap: \$5 million

Total Four-year Pilot Project Funding: \$20 million

## PER-PROJECT LIMITS

Recommended Maximum: \$500,000 in eligible credits.

Recommended Minimum: \$5,000 in eligible credits.

## ELIGIBLE PROPERTIES

Certified historic structures that are listed on the National Register of Historic Places.

The total amount of qualified rehabilitation expenditures must exceed \$5,000 in order to be eligible.

## PROCESS

An application may be submitted at any time before a project is completed. The Tennessee Historical Commission will notify the applicant once conditionally approved. The project must commence construction no earlier than January 1, 2020 or begin within eighteen (18) months of application approval and must be completed within thirty-six (36) months of application approval.

Credits will be reserved on a first-come first-served basis triggered by the filing of the application. The conditional credit amount will be held against the aggregate cap for the year in which conditional approval is granted.

When the project is complete, applicants will submit a final report, and the Department of Revenue will issue credits upon final approval.

The final report being submitted by the applicant shall include any employment-related data as deemed necessary by the commission, including, but not limited to, the number of temporary construction jobs, the number of anticipated permanent jobs to be created on site, anticipated use of the completed building, and pre- and post-assessed property valuation.

## **HISTORIC TAX CREDIT PERCENTAGE**

Sixty-five percent (65%) of the annual cap shall be set aside for the exclusive use of projects in tier three (3) or four (4) counties, federally qualified opportunity zones, Tennessee main street communities, Tennessee downtown communities, Certified Local Governments in counties with a population of less than 500,000 persons approved by the National Parks Service, and in areas that have been declared by the Governor to be in a state of disaster. If this pool of credits is unused during the annual period, they shall rollover into the next annual period but will remain available for the sole use of projects in the above listed areas.

The tax credit will be a maximum of 25% of qualified rehabilitation expenses. Furthermore, a project can receive an additional 5% credit if it is located within a tier three (3) or four (4) counties, federally qualified opportunity zones, Tennessee main street communities, Tennessee downtown communities, Certified Local Governments in counties with a population of less than 500,000 persons approved by the National Parks Service, and in areas that have been declared by the Governor to be in a state of disaster.

## **ELIGIBLE EXPENSES**

Eligible expenses are be the same as the Federal Historic Tax Credit Program, defined in Section 47(c)(2)(A) of the Internal Revenue Code of 1986, as amended.

## **APPLICABLE STATE TAXES**

Franchise & Excise Tax and Insurance Premium Tax.

## **TRANSFERABILITY OF CREDITS**

Persons eligible for tax credits will be permitted to transfer, sell, or assign the credits.

## **CREDIT PERIOD**

The credit period will carry froward for seven (7) years.

## **TERM & RULE MAKING**

The pilot project shall be reviewed after four years and may be extended by the General Assembly.

The Tennessee Historical Commission and Department of Revenue will have the authority to promulgate rules necessary to effectuate the program and may claw back credits for non-compliance.