

# ACT 2013 - 241

1 HB140  
2 146539-3  
3 By Representatives Gaston, Buskey, DeMarco, Harper, Scott,  
4 McClurkin, Wood, Tuggle, McCutcheon, Long, Sessions, Bridges,  
5 Carns, Merrill, Farley, Treadaway, Drake, Williams (J),  
6 Fincher, Clouse, Love, McAdory, Payne, Roberts, Baughn, Rich,  
7 Hill, Sanderford, Henry, Collins, Johnson (K), Nordgren,  
8 Warren, Jackson, Beech, Moore (M), Boyd, Newton (D), Hubbard  
9 (M), McMillan, Ison, Davis, Ball, Hammon, Poole, Wallace,  
10 Wren, Coleman-Evans, McClammy, Chesteen and Lee  
11 RFD: Ways and Means Education  
12 First Read: 05-FEB-13



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ENROLLED, An Act,

To provide a tax credit against the tax liability of the taxpayer for the rehabilitation, preservation, and development of historic structures.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. This act shall apply to qualified structures throughout the State of Alabama.

Section 2. As used in this act, the following terms shall have the following meanings:

(1) CERTIFIED HISTORIC STRUCTURE. A property located in Alabama which is certified by the Alabama Historical Commission as being individually listed in the National Register of Historic Places, eligible for listing in the National Register of Historic Places, or certified by the commission as contributing to the historic significance of a Registered Historic District.

(2) CERTIFIED REHABILITATION. Repairs or alterations to a certified historic structure that is certified by the commission as meeting the U.S. Secretary of the Interior's Standards for Rehabilitation, or to non-historic structures built before 1936 which are certified by the commission as meeting the requirements contained in Section 47(c)(1)(a) and (b) of the Internal Revenue Code, as amended, or to a

1 certified historic residential structure as defined in  
2 subdivision (4).

3 (3) COMMISSION. The Alabama Historical Commission  
4 and or its successor.

5 (4) CERTIFIED HISTORIC RESIDENTIAL STRUCTURE. A  
6 certified historic structure as defined in subdivision (1) 7  
7 ~~or a non-historic structure built prior to 1936 which is or~~  
8 ~~will be owned and used as a single family, owner occupied~~  
9 ~~residential property and which is contained within a single~~  
10 ~~family residential structure, either free standing or~~  
11 ~~supported by party walls, but not to include individual units~~  
12 ~~within a multi-residential structure such as a condominium or~~  
13 ~~cooperative.~~

14 (5) DEPARTMENT. The Alabama Department of Revenue or  
15 its successor.

16 (6) OWNER. Any taxpayer filing a State of Alabama  
17 tax return or any entity that is exempt from federal income  
18 taxation pursuant to Section 501(c) of the Internal Revenue  
19 Code, as amended, that: a. owns title to a qualified structure  
20 ., ~~or b. owns prospective title to a qualified structure in~~  
21 ~~the form of a purchase agreement or option to purchase,~~ or c.  
22 b. owns a leasehold interest in a qualified structure for a  
23 term of not less than 39 years.

24 (7) QUALIFIED REHABILITATION EXPENDITURES. Any  
25 expenditure as defined under Section 47(c)(2)(A) of the

1 Internal Revenue Code, as amended, and the related regulations  
2 thereunder, and other reasonable expenses and costs expended  
3 in the rehabilitation of a qualified structure. For certified  
4 historic residential structures, this term shall mean expenses  
5 incurred by the taxpayer in the certified rehabilitation of a  
6 certified historic residential structure, including  
7 preservation and rehabilitation work done to the exterior of a  
8 certified historic residential structure, repair and  
9 stabilization of historic structural systems, restoration of  
10 historic plaster, energy efficiency measures except insulation  
11 in frame walls, repairs or rehabilitation of heating, air  
12 conditioning, or ventilation systems, repairs or  
13 rehabilitation of electrical or plumbing systems exclusive of  
14 new electrical appliances and electrical or plumbing fixtures,  
15 and architectural, engineering, and land surveying fees.  
16 Qualified rehabilitation expenditures do not include the cost  
17 of acquisition of the qualified structure, the personal labor  
18 by the owner, or any cost associated with the rehabilitation  
19 of an outbuilding of the qualified structure, unless the  
20 outbuilding is certified by the commission to contribute to  
21 the historical significance of the qualified structure.

22 (8) QUALIFIED STRUCTURE. Certified historic  
23 structures and non-historic structures built before 1936 which  
24 are certified by the commission as meeting the requirements  
25 contained in Section 47(c)(1)(a) and (b) of the Internal

1 Revenue Code, as amended, and to certified historic  
2 residential structures as defined herein.

3 (9) REGISTERED HISTORIC DISTRICT. Any district  
4 listed in the National Register of Historic Places and any  
5 district which is either of the following:

6 a. Designated under Alabama or local law certified  
7 by the U.S. Secretary of the Interior as containing criteria  
8 which substantially achieves the purpose of preserving and  
9 rehabilitating buildings of historic significance to the  
10 district.

11 b. Certified by the U.S. Secretary of the Interior  
12 as meeting substantially all of the requirements for the  
13 listing of districts in the National Register of Historic  
14 Places.

15 (10) REHABILITATION PLAN. Construction plans and  
16 specifications for the proposed rehabilitation of a qualified  
17 structure in sufficient detail to enable the commission to  
18 evaluate compliance with the standards developed under this  
19 act.

20 (11) SUBSTANTIAL REHABILITATION. Rehabilitation of  
21 a qualified structure for which the qualified rehabilitation  
22 expenditures exceed 50 percent of the owner's original  
23 purchase price of the qualified structure or twenty-five  
24 thousand dollars (\$25,000), whichever is greater.

1           Section 3. (a) The commission shall develop  
2 standards for the approval of the substantial rehabilitation  
3 of qualified structures for which a tax credit is sought. The  
4 standards shall take into account whether the substantial  
5 rehabilitation of a qualified structure is consistent with the  
6 historic character of the structure or of the Registered  
7 Historic District in which the property is located.

8           (b) Prior to beginning any substantial  
9 rehabilitation work on a qualified structure, the owner shall  
10 submit an application and rehabilitation plan to the  
11 commission and an estimate of the qualified rehabilitation  
12 expenditures under the rehabilitation plan; provided, however,  
13 that the owner, at its own risk, may incur qualified  
14 rehabilitation expenditures no earlier than six months prior  
15 to the submission of the application and rehabilitation plan  
16 that are limited to architectural, engineering, and land  
17 surveying fees and related soft costs and any costs related to  
18 the protection of the qualified structure from deterioration.  
19 Owners may submit an application and rehabilitation plan, and  
20 may commence rehabilitation, before the property is listed in  
21 the National Register of Historic Places; provided, however,  
22 that owners, at their own risk, may incur qualified  
23 rehabilitation expenditures which are limited to architectural  
24 engineering and land surveying fees and related soft costs and  
25 emergency costs and expenses necessary for the protection of

1 the qualified structure from deterioration and which are  
2 incurred no earlier than six months prior to the submission of  
3 the application and rehabilitation plan to the commission.

4 (c) The commission shall review the application and  
5 rehabilitation plan to determine that the information  
6 contained therein is complete. If the commission determines  
7 that the application and rehabilitation plan are complete, the  
8 commission shall reserve for the benefit of the owner an  
9 allocation for a tax credit as provided in Section 4 and the  
10 commission shall notify the owner in writing of the amount of  
11 the reservation. The reservation of tax credits does not  
12 entitle the owner to an issuance of tax credits until the  
13 owner complies with all other requirements of this act for the  
14 issuance of the tax credits. The reservation of tax credits  
15 shall be made by the commission in the order in which  
16 completed applications and rehabilitation plans are received  
17 by the commission, and the reservation of tax credits shall be  
18 issued by the commission within a reasonable time, not to  
19 exceed 90 days from the filing of a completed application and  
20 rehabilitation plan. Applications received by the commission  
21 on the same day shall go through a lottery process to  
22 determine the order in which the applications will be reviewed  
23 by the commission. Only the property for which a property  
24 address, legal description or other specific location is  
25 provided in the application shall be reviewed. The owner shall

1 not be permitted to request the review of another property for  
2 approval in the place of the property contained in the  
3 application. The owner may add or remove partners, members, or  
4 shareholders as part of its ownership structure, so long as at  
5 least 50 percent of the ownership remains the same. If the  
6 ownership of the qualified structure is changed due to a  
7 foreclosure, deed in lieu of a foreclosure, or a transfer in  
8 bankruptcy or receivership, the foregoing provisions  
9 restricting a change in ownership structure are not  
10 applicable, provided that the successor owner of the qualified  
11 structure furnishes sufficient documentation to the commission  
12 as evidence of the foreclosure, deed in lieu of foreclosure or  
13 bankruptcy or receivership. Any application disapproved by the  
14 commission shall be removed from the review process, and the  
15 commission shall notify the owner in writing of the decision  
16 to remove the application. Disapproved applications shall lose  
17 their priority in the review process. A disapproved  
18 application may be resubmitted, but shall be deemed to be a  
19 new submission for purposes of the priority procedures  
20 described in this section and may be charged a new application  
21 fee. In the event that the commission grants reservations for  
22 tax credits equal to the total amount available for  
23 reservations during the fiscal year, all owners with  
24 applications then awaiting approval or thereafter submitted  
25 for approval shall be notified by the commission that no



1 additional approvals shall be granted during that fiscal year  
2 and shall be notified of the priority given to the owner's  
3 application then awaiting approval. The applications shall  
4 remain in priority status for two (2) years from the date of  
5 the original application and shall be considered for  
6 reservations of tax credits in the priority order established  
7 in this section in the event that additional credits become  
8 available due to the rescission of approvals or when a new  
9 fiscal year's allocation of tax credits becomes available.

10 Owners receiving a reservation of tax credits shall  
11 commence rehabilitation, if rehabilitation has not previously  
12 begun, within 18 months of the date of issuance of the written  
13 notice from the commission to the owner granting the  
14 reservation of tax credits. "Commencement of rehabilitation"  
15 shall mean that, as of the date in which actual physical work  
16 contemplated by the rehabilitation plan submitted with the  
17 application has begun, the owner has incurred no less than 20  
18 percent of the estimated costs of rehabilitation provided in  
19 the application. Owners receiving a reservation of tax credits  
20 shall submit evidence of compliance with the provisions of  
21 this subsection. If the commission determines that an owner  
22 has failed to comply with the requirements provided under this  
23 section, the reservation of tax credits for the owner may be  
24 rescinded and, if so, the amount of tax credits shall then be  
25 included in the total amount of available tax credits provided

1 for in subsection (c) of Section 4, from which reservations  
2 may be granted. Any owner whose reservation of tax credits  
3 shall be rescinded shall be notified of the rescission from  
4 the commission and, upon receipt of the notice, may submit a  
5 new application but may be charged a new application fee.

6 (d) Following the completion of a substantial  
7 rehabilitation of a qualified structure, the owner shall  
8 notify the commission that the substantial rehabilitation has  
9 been completed and shall certify the qualified rehabilitation  
10 expenditures incurred with respect to the rehabilitation plan.  
11 In addition, the owner shall provide the commission with: (i)  
12 a cost and expense certification, prepared by a licensed  
13 certified public accountant that is not an affiliate of the  
14 owner, certifying the total qualified rehabilitation  
15 expenditures and the total amount of tax credits against any  
16 state tax due that is specified in this act for which the  
17 owner is eligible under Section 4 and, if the qualified  
18 rehabilitation expenditures exceed ~~five~~ two hundred thousand  
19 dollars ~~(\$500,000)~~ (\$200,000), the cost and expense  
20 certification must be audited by the licensed certified public  
21 accountant; and (ii) an appraisal of the qualified structure  
22 prepared by an independent MAI designated and licensed real  
23 estate appraiser. The commission shall review the  
24 documentation of the rehabilitation and verify its compliance  
25 with the rehabilitation plan. Within 90 days after receipt of

1 the foregoing documentation from the owner, the commission  
2 shall issue a tax credit certificate in an amount equivalent  
3 to the lesser of: (i) the amount of the tax credit reservation  
4 issued for the project under the provisions of subsection (c),  
5 or (ii) 25 percent of the actual qualified rehabilitation  
6 expenditures for certified historic structures and 10 percent  
7 of the actual qualified rehabilitation expenditures for  
8 qualified pre-1936 non-historic structures. In the event the  
9 amount of qualified rehabilitation expenditures incurred by  
10 the owner would result in the issuance of an amount of tax  
11 credits in excess of the amount of tax credits reserved for  
12 the owner under subsection (c) of section 3, the owner may  
13 apply to the commission for issuance of tax credits in an  
14 amount equal to the excess. Applications for issuance of tax  
15 credits in excess of the amount of tax credits reserved for  
16 the owner shall be made on a form prescribed by the commission  
17 and shall represent a separate certificate that shall be  
18 issued, subject to all provisions regarding priority provided  
19 in this section.

20 (e) In order to obtain a credit against any state  
21 tax due that is specified in this act, a taxpayer shall file  
22 the tax credit certificate with the taxpayer's Alabama state  
23 income tax return.

24 (f) The Department shall grant a tax credit against  
25 any state tax due that is specified in this act to a taxpayer

1 holding the tax credit certificate issued under subsection (d)  
2 against any tax due under Chapters ~~14A, 14B, 16, 18, and 21~~ 16  
3 and 18 of Title 40, ~~and Chapters 3 and 4 Chapter 4A of Title~~  
4 ~~27~~, Code of Alabama 1975, in the amount stated on the tax  
5 credit certificate. The Department shall have the right to  
6 audit and to reassess any credit improperly obtained by the  
7 owner, in accordance with the Taxpayers' Bill of Rights and  
8 the Uniform Revenue Procedures contained in Chapter 2A of  
9 Title 40, Code of Alabama 1975; provided, however that only  
10 the owner initially awarded the tax credit certificate, and  
11 not any subsequent transferee of the tax credit certificate,  
12 shall be liable for any credit improperly obtained by the  
13 owner.

14 (g) For processing the taxpayer's application for a  
15 tax credit, the commission may impose reasonable application  
16 fees of up to one percent of the qualified rehabilitation  
17 expenses but not to exceed ten thousand dollars (\$10,000).

18 (h) The commission shall, in consultation with the  
19 department, report to the Legislature in the third year  
20 following passage of this act, and annually thereafter, on the  
21 overall economic activity, usage, and impact to the state from  
22 the substantial rehabilitation of qualified structures for  
23 which tax credits have been allowed.

24 Section 4. (a) The ~~tax~~ state portion of any taxes  
25 credit against the tax imposed by Chapters ~~14A, 14B, 16, 18~~

1 ~~and 21~~ 16 and 18 of Title 40, ~~and Chapters 3 and 4~~ Chapter 4A  
2 ~~of Title 27,~~ Code of Alabama 1975, for the taxable year in  
3 which the certified rehabilitation is placed in service, shall  
4 be equal to 25 percent of the qualified rehabilitation  
5 expenditures for certified historic structures, and shall be  
6 10 percent of the qualified rehabilitation expenditures for  
7 qualified pre-1936 non-historic structures. No tax credit  
8 claimed for any certified rehabilitation may exceed five  
9 million dollars (\$5,000,000) for all allowable property types  
10 except a certified historic residential structure, and fifty  
11 thousand dollars (\$50,000) for a certified historic  
12 residential structure.

13 (b) The entire tax credit may be claimed by the  
14 taxpayer in the taxable year in which the certified  
15 rehabilitation is placed in service. Where the taxes owed by  
16 the taxpayer are less than the tax credit, the taxpayer shall  
17 not be entitled to claim a refund for the difference, but any  
18 unused portion of the credit may be carried forward for up to  
19 10 additional tax years.

20 (c) The aggregate amount of all tax credits in any  
21 tax year that may be reserved by the commission upon  
22 certification of rehabilitation plans under subsection (c) of  
23 Section 3 shall not exceed ~~thirty million dollars~~  
24 ~~(\$30,000,000)~~ twenty million dollars (\$20,000,000) plus any  
25 amount of previous reservations of tax credits that were

1 rescinded under subsection (c) of Section 3 during the tax  
2 year. However, if all of the allowable tax credit amount for  
3 any tax year is not requested and reserved, any unreserved tax  
4 credits may be utilized by the commission in awarding tax  
5 credits in subsequent years.

6 (d) Tax credits granted to a partnership, a limited  
7 liability company taxed as a partnership or multiple owners of  
8 a property shall be passed through to the partners, members or  
9 owners (including any not-for-profit entity that is a partner,  
10 member or owner) respectively pro rata or pursuant to an  
11 executed agreement among the partners, members or owners  
12 documenting an alternate distribution method.

13 ~~(e) All or any portion of the tax credits under this~~  
14 ~~act shall be freely transferable and assignable, subject to~~  
15 ~~any notice and verification requirements to be determined by~~  
16 ~~the commission or the Department, or both. Any transferee of~~  
17 ~~the tax credits may use the amount of tax credits transferred~~  
18 ~~to offset against any tax due under Chapters 14A, 14B, 16, 18~~  
19 ~~and 21 of Title 40, and Chapters 3 and 4 Chapter 4A of Title~~  
20 ~~27, Code of Alabama 1975, or the transferee may freely~~  
21 ~~transfer and assign all or any portion of the tax credits to~~  
22 ~~any other person or entity, including an entity that is exempt~~  
23 ~~from federal income taxation pursuant to Section 501(c) of the~~  
24 ~~Internal Revenue Code, as amended, and the other person or~~  
25 ~~entity may freely transfer and assign all or any portion of~~

1 ~~the tax credits to any other person or entity. The tax credits~~  
2 ~~may be transferred or assigned until the time that the credit~~  
3 ~~is claimed on a State of Alabama tax return by any taxpayer.~~

4 Section 5. (a) Recapture of any of the credit, and  
5 any required adjustments to basis due to recapture, shall be  
6 governed by Section 50 of the Internal Revenue Code; provided,  
7 however, that only the owner initially awarded the tax credit  
8 certificate, and not any subsequent transferee of the tax  
9 credit certificate, shall be liable for any amount of the  
10 credit recaptured.

11 (b) In the taxable year the certified rehabilitation  
12 is placed in service for any structure for which a tax credit  
13 has been issued, the commission shall provide notice of the  
14 certified rehabilitation and a copy of the appraisal provided  
15 by the owner to the taxing authority responsible for the  
16 assessment of ad valorem taxes. Upon notification, the taxing  
17 authority responsible for the assessment of ad valorem taxes  
18 shall complete a new assessment for the structure to be used  
19 in the assessment of ad valorem taxes for the tax year in  
20 which the certified rehabilitation was placed in service.

21 Section 6. Owners or their duly authorized  
22 representatives may appeal any state official decision,  
23 including all preliminary or final reservations, approvals and  
24 denials, made by the commission or the Department with regard  
25 to an application and rehabilitation plan submitted under

1 Section 3, in accordance with the Alabama Administrative  
2 Procedures Act contained in Chapter 22 of Title 41, Code of  
3 Alabama 1975. Appeals shall constitute an administrative  
4 review of the decision appealed from and shall not be  
5 conducted as an adjudicative proceeding. Appeals shall be  
6 submitted within thirty days of receipt by the owner or the  
7 owner's duly authorized representative of the decision that is  
8 the subject of the appeal.

9 Section 7. The tax credits authorized by this act  
10 for the substantial rehabilitation of qualified structures  
11 shall not be available to owners of qualified structures that  
12 submit an application and rehabilitation plan three years  
13 following the effective date of this act. No action or  
14 inaction on the part of the Legislature shall reduce or  
15 suspend the tax credits authorized by this act in any past or  
16 future calendar year with respect to a qualified structure if  
17 the owner thereof submits an application and rehabilitation  
18 plan with the commission and the commission reserves an  
19 allocation for a tax credit on or prior to three years  
20 following the effective date of this act, even if the  
21 qualified structure is placed into service after three years  
22 following the effective date of this act, and shall not affect  
23 the owner of a qualified structure if the commission has  
24 reserved an allocation for a tax credit on or prior to three  
25 years following the effective date of this act.



1           Section 8. The commission shall promulgate by  
2           September 1, 2013 any and all rules and regulations necessary  
3           to implement the provisions of this act. Applications for the  
4           reservation of tax credits shall be accepted beginning October  
5           1, 2013, but no tax credit may be credited prior to the  
6           taxpayer's return for the taxable year 2014.

7           Section 9. The provisions of this act are severable.  
8           If any part of this act is declared invalid or  
9           unconstitutional, that declaration shall not affect the part  
10          which remains.

11          Section 10. This act shall become effective  
12          immediately following its passage and approval by the  
13          Governor, or its otherwise becoming law.

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Speaker of the House of Representatives

*Kay Ivey*

President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in  
and was passed by the House 04-APR-13, as amended.

Jeff Woodard  
Clerk

Senate	<u>02-MAY-13</u>	Amended and Passed
House	<u>09-MAY-13</u>	Concurred in Sen- ate Amendment

**APPROVED** May 15, 2013

**TIME** 3:05 p.m.

Robert Bentley  
**GOVERNOR**

Alabama Secretary Of State

Act Num....: 2013-241  
Bill Num...: H-140

Recv'd 05/15/13 03:23pmSLF

HOUSE ACTION

SENATE ACTION

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I HEREBY CERTIFY THAT THE RESOLUTION AS REQUIRED IN SECTION C OF ACT NO. 81-889 WAS ADOPTED AND IS ATTACHED TO THE BILL, H.B. 140  
YEAS 98 NAYS 0  
JEFF WOODARD, Clerk

I HEREBY CERTIFY THAT THE NOTICE & PROOF IS ATTACHED TO THE BILL, H.B. \_\_\_\_\_ AS REQUIRED IN THE GENERAL ACTS OF ALABAMA, 1975 ACT NO. 919.  
JEFF WOODARD, Clerk

CONFERENCE COMMITTEE  
House Conferees \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

DATE: 4-11 20\_\_  
RD 1 RFD

This Bill was referred to the Standing Committee of the Senate on FATE  
and was acted upon by such Committee in session and is by order of the Committee returned therefrom with a favorable report w/amend(s) 3 w/sub \_\_\_\_\_ by a vote of yeas 9 nays 1 abstain C  
this 17 day of April 2013  
by Patrick Harris, Chairperson

DATE: --- 20\_\_  
RF FAY AND (3) RD 2 CAL

DATE: \_\_\_\_\_ 20\_\_  
RE-REFERRED  RE-COMMITTED   
Committee \_\_\_\_\_

I hereby certify that the Resolution as required in Section C of Act No. 81-889 was adopted and is attached to the Bill, HB 140  
YEAS 26 NAYS 1  
PATRICK HARRIS, Secretary

FURTHER SENATE ACTION (OVER)