



HB 499/ SB 288: A FLORIDA STATE HISTORIC TAX CREDIT

Below are details on a proposed state historic preservation tax incentive program that would revitalize Florida Main Street communities, support heritage tourism, create good paying jobs, and bring vacant and underused historic buildings back to life.

APPLICABLE STATE TAXES

- Florida state Franchise Taxes and Insurance Premium Taxes.

HISTORIC TAX CREDIT PERCENTAGE

- A tax credit of up to **20 percent** of total eligible costs for rehabilitation of a certified historic structure.
- A tax credit of up to **30 percent** of total eligible costs for rehabilitation of a certified historic structure that is physically located within the official district boundaries of an active, certified Florida Main Street community.

ELIGIBLE PROJECTS

- To receive the credit, the property must be listed individually on the National Register of Historic Places or located with a National Register historic district and certified by the Florida Division of Historical Resources and the National Park Service as a structure that is contributing to the historic district.
- To qualify, rehabilitation expenses must exceed \$5,000 and the property must be used for income-producing, commercial purposes (which may include rental housing).

HOW THE PROCESS WORKS

- Project eligibility determined by the Florida Department of State, Division of Historic Resources.
- Eligible rehabilitation expenses are 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.
- The rehabilitation must be certified by the Florida Division of Historic Resources and the National Park Service.
- Approval of the tax credits managed by the Florida Department of Revenue.
- To receive the credit, the taxpayer must have ownership interest in the certified historic structure in the year during which the structure is placed in service after the rehabilitation.

TRANSFER OF CREDITS

- Where property owners do not have significant tax liability, the state will be able to issue a tax certificate that is transferrable to an entity with the state tax liability. Texas, another state without an income tax, uses this highly successful model. Small Main Street business owners find it to be an effective incentive to encourage substantive rehabilitation of their properties because they do not have to create an expensive limited liability corporation.
- Transferees may also transfer, sell, or assign the credits.

CARRY FORWARD PROVISION

- Credits not used in the first year of the project may be carried forward for up to 10 years.

WHY A STATE HISTORIC TAX CREDIT IS GOOD FOR FLORIDA

Supports small and local businesses.

This credit will support economic recovery on Main Streets across Florida, where many small and local businesses are located. A higher percentage credit for properties located in Florida Main Street communities will encourage rehabilitation of historic buildings in rural areas as well as those in larger towns and cities.

Makes rehabilitation projects more financially viable.

Rehabilitation projects often carry higher risk and can be difficult to finance. This tax incentive will help fill the financing gap and make it economically feasible to bring vacant and underused historic properties back to life.

Creates good paying local jobs.

Rehabilitation projects are on average 60 percent labor and 40 percent materials, compared to new construction costs of about 40 percent labor and 60 percent materials. Labor is usually hired locally and often includes higher-paid workers with skills in areas such as restoring historic windows, plastering, and masonry repair.

Generates new taxes that help the program pay for itself.

Studies from other states have found that one-third of the public investment in state historic tax credits is paid back during the construction phase and the remainder is paid back within four to nine years after the renovated building is put back into productive use. Once rehabilitated, these buildings continue generating local and state tax revenue for decades to come.

Leverages private investment.

More than a dozen studies document the significant investment that is attracted to states that offer a state historic tax credit. A 2015 assessment conducted for the Ohio Development Services Agency, for example, estimates that every dollar in state historic tax credits attracts an average of \$6.20 in private investment.

Makes Florida competitive with other states.

Thirty-nine states, including all of the states bordering the Gulf and Atlantic coasts, offer state historic tax credits. Paired with federal historic tax credits, these programs revitalize Main Street communities, create jobs, and put vacant historic buildings back on the tax rolls. Texas, another state without an income tax, began offering a state historic tax credit in 2015 and has seen 236 projects completed – representing investment of over \$2.5 billion – in just the first five years of the program

To learn more about how you can help support the creation of this new incentive for Florida's Main Streets and historic properties, contact Melissa Wylie, President of the Florida Trust for Historic Preservation, at mwyllie@floridatrust.org.