HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2017

(H.R. 1158/S. 425) SECTION-BY-SECTION SUMMARY

SUMMARY
The Historic Tax Credit Improvement Act (H.R.1158/S. 425) makes long overdue changes to the Historic Tax Credit (IRC § 47) to further encourage building reuse and redevelopment in small, midsize, and rural communities. It also makes the rehabilitation of community projects like theaters, libraries, and schools easier. Finally, the bill would make more historic properties eligible to use the credit by updating program requirements to reflect current industry practices. These reforms would be the first major changes to the Historic Tax Credit (HTC) since the Tax Reform Act of 1986.

SEC. 1 SHORT TITLE "HISTORIC TAX CREDIT IMPROVEMENT ACT OF 2017"

SEC. 2 INCREASING THE REHABILITATION CREDIT FOR CERTAIN SMALL PROJECTS
Creates a 30% credit for smaller deals to make sure rural and non-urban areas have the same ability to take advantage of the credit. This increased small deal credit would be capped at Qualified Rehabilitation Expenses of $2.5 million, approximately $750,000 in credits.

SEC. 3 ALLOWANCE FOR THE TRANSFER OF CREDITS FOR CERTAIN SMALL PROJECTS
Allows for small transactions with rehabilitation expenditures not over $2,500,000 to be transferred as a tax certificate, making these deals easier for small project owners.

SEC. 4 INCREASING THE TYPE OF BUILDINGS ELIGIBLE FOR REHABILITATION
Changes the definition of substantial rehabilitation. This provision would change the threshold to qualify for the credit of 50% of adjusted basis instead of 100% of adjusted basis as the program currently requires.

SEC. 5 REDUCING BASIS ADJUSTMENT
Changes the amount of the depreciable basis adjustment from 100 percent to 50 percent of the amount of the HTC. This would place the HTC in line with the renewable energy tax credit. The LIHTC has no depreciable basis adjustment.

SEC. 6. MODIFICATIONS REGARDING CERTAIN TAX-EXEMPT USE PROPERTY
This provision would modify the disqualified lease rules to limit the definition of a "disqualified lease" to those leases that are part of a sale leaseback arrangement involving a nonprofit that has used the property before certification as a historic rehabilitation. The other types of disqualified leases that inhibit the rehabilitation of these buildings, such as those with purchase options, leases in excess of 20 years, and leases in buildings that use tax-exempt financing, would be eliminated.