



COLORADO REAL ESTATE JOURNAL

THE COMMUNICATION CHANNEL OF THE COMMERCIAL REAL ESTATE COMMUNITY

JULY 16, 2014 – AUGUST 5, 2014

Tax credit increases what's available for historic renovation

In May, Colorado Gov. John Hickenlooper signed into law the Colorado Job Creation and Main Street Revitalization Act (also known as House Bill 14-1311). By substantially increasing the amount of funds available for the preservation of historic properties, the new tax credit keeps Colorado competitive among neighboring states with similar tax-credit programs.

House Bill 14-1311 introduces the first significant changes to the tax credit for historic preservation in Colorado since the creation of the previous version of the credit in 1990. The tax credit enacted under H.B. 14-1311 creates a strong financial incentive for residential and commercial historic building owners who are looking to complete preservation and rehabilitation projects for 2016 through 2019.

Primarily designed to encourage investment in rehabilitation of commercial spaces, many of the bill's most significant changes will appeal to owners of commercial properties, especially those located in main street communities. The credit also is intended to benefit small businesses and nonprofits that are looking for accessible and affordable locations in which to conduct their operations. Most notably, the bill increases the maximum tax credit per year for improvements to any single qualified commercial structure from \$50,000 to \$1 million. In addition, credits for commercial property rehabilitation are now freely transferrable and assignable.



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To encourage significant improvements on deteriorating historical structures, the bill limits availability of the commercial tax credit to "substantial rehabilitation"

projects, which requires investment of at least 25 percent of the purchase price minus the land value. The commercial tax credit program creates two categories, or "eligibility pools," based on the size of the proposed project. The pool designated for smaller projects provides those with qualified rehabilitation expenses of less than \$2 million with a state tax credit of 25 percent of costs incurred. For larger projects with more than \$2 million in qualified rehabilitation expenses, the other pool provides for a 20 percent state tax credit. An additional state tax credit of 5 percent is available for structures located in areas that the U.S. president has designated as major disaster areas.

For residential properties, the historical structure must be at least 50 years old, owner-occupied and nonincome producing to qualify for the tax credit. The residential credit remains capped at \$50,000 over a 10-year rolling period and restarts with a change in ownership. The bill provides a list of improvements that qualify



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for the credit and requires a minimum investment that exceeds \$5,000.

Similar legislation in other states has been successful in generating local economic activity and creat-

ing jobs, and proponents of Colorado's tax credit hope that it will attract private capital investment that had previously sought out projects in states with more attractive tax incentives for historic preservation. The tax credit increases are likely to boost rehabilitation efforts in historic downtown and main street areas in cities and towns across Colorado.

To be eligible for the new tax credit, an owner of a historic property must go through an application process prior to completing any qualified rehabilitation project. The tax credit is limited to certain qualified historical structures, and only those expenses that meet the criteria outlined in the bill will be considered for calculation of the credit. As any expenses for the rehabilitation of a historic structure are incurred at the owner's own risk, an individual or investor looking to take advantage of the new tax credit should consider contacting an attorney early in the process to ensure compliance with all procedural and substantive requirements.▲