HOUSE DOCKET, NO. 1883   FILED ON: 1/15/2015

HOUSE . . . . No. 2505

The Commonwealth of Massachusetts

PRESENTED BY:

Carole A. Fiola

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to a tax credit for mill cities.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
Carole A. Fiola	*6th Bristol*	*1/15/2015*
Paul A. Schmid, III	*8th Bristol*	*11/18/2019*
Jose F. Tosado	*9th Hampden*	*11/18/2019*
Frank A. Moran	*17th Essex*	*11/18/2019*
Alan Silvia	*7th Bristol*	*11/18/2019*
Aaron Vega	*5th Hampden*	*11/18/2019*
Timothy J. Toomey, Jr.	*26th Middlesex*	*11/18/2019*
Mark C. Montigny	*Second Bristol and Plymouth*	*1/29/2015*
Marcos A. Devers	*16th Essex*	*2/3/2015*
Diana DiZoglio	*14th Essex*	*2/4/2015*
Carlos Gonzalez	*10th Hampden*	*1/26/2015*
Robert M. Koczera	*11th Bristol*	*1/29/2015*
Brian M. Ashe	*2nd Hampden*	*2/4/2015*
Ann-Margaret Ferrante	*5th Essex*	*2/3/2015*

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HOUSE . . . . No. 2505

By Ms. Fiola of Fall River, a petition (accompanied by bill, House, No. 2505) of Carole A. Fiola and others for the establishment of an economic development tax credit incentive program for the substantial rehabilitation of mill properties. Revenue.

The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court
(2015-2016)

An Act relative to a tax credit for mill cities.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 6 of chapter 62 of the General Laws, as appearing in the 2012 Official Edition, is hereby amended by adding the following subsection:-

(s)(1) For the purposes of this subsection, the following words shall, unless the context clearly requires otherwise, have the following meanings:-

“Adjusted basis”, including, but not limited to the property purchase price, less the costs of the land, less any depreciation taken to date, plus the cost of any improvements made since the purchase; provided, however, that such cost of any improvement costs be expended within any 24-month period ending with or within the tax year that the credits in this subsection are claimed.

“Department”, the department of housing and community development.

“Qualified expenditures”, defined in Federal Treasury Regulation §1.48-12 (c) and Internal Revenue Code § 47 (c) (2) (B) and shall include, but not be limited to: costs of construction; certain developer fees; consultant fees including legal, architectural and engineering fees if added to the basis of the property; provided, however, qualified expenditures shall not include property acquisition costs, new additions to the historic structure or other new buildings, parking, and landscaping costs.

"Severely economically distressed community", (i) Fall River, (ii) Holyoke, (iii) Lawrence, (iv) New Bedford , (v) Springfield or (vi) a city with median household incomes of less than 70 per cent of the state average; unemployment rates 1.5 per cent higher than the state average; subsidized housing in excess of 10 per cent; and a federal poverty level in excess of 20 per cent.

"Substantial rehabilitation," as defined in Federal Treasury Regulation section 1.48-12(b)(2)(i) and includes projects that involve qualified expenditures in excess of the larger of the adjusted basis of all owners of the building or $5,000.

"Taxpayer", a person, firm partnership, trust, estate, limited liability company, or other entity subject to the income tax imposed by this chapter and are owners of income producing properties that are listed in or eligible for the National Register of Historic Places.

(2) There shall be an economic development tax credit incentive program for the substantial rehabilitation of mill properties in accordance with single use or any combination of the following: housing development with no less than 90 per cent market rate rental housing to be defined as no less than 110 per cent of the United States Housing and Urban Development annual median income in eligible areas; commercial; mixed use; or industrial purposes. Property shall be deed-restricted and income-producing for at least 10 years.

(3) For a taxable year beginning on or after January 1, 2016, a taxpayer engaged in substantial rehabilitation as provided in paragraph (2) in a severely economically distressed community shall be allowed a credit against the taxes imposed by this chapter of no less than 20 per cent but not greater than 30 per cent of qualified expenditures.

(4) Within 60 days of the receipt of a complete application, the department shall conduct a cost-benefit analysis of every project that shows whether the project will result in a net revenue gain in state and local taxes. Upon completion of 48 months of the program and prior to the completion of 60 months, the department of revenue, with the assistance of an outside economic research organization to be selected and funded by the department shall produce an annual report to the legislature analyzing the program's effectiveness.

(5) The total of all tax credits available to a taxpayer pursuant to this subsection shall not exceed $10,000,000 in any 1 tax year.

(6) The commissioner of revenue, in consultation with the department, shall promulgate regulations necessary for the administration of this subsection.

SECTION 2. Chapter 63 of the General Laws is hereby amended by inserting after section 38HH the following section:-

Section 38II (a) For the purposes of this section, the following words shall, unless the context clearly requires otherwise, have the following meanings:-

"Adjusted basis", including, but not limited to the property purchase price, less the costs of the land, less any depreciation taken to date, plus the cost of any improvements made since the purchase; provided, however, that such cost of any improvement costs be expended within any 24-month period ending with or within the tax year that the credits in this section are claimed.

“Department”, the department of housing and community development.

“Qualified expenditures”, defined in Federal Treasury Regulation §1.48-12 (c) and Internal Revenue Code § 47 (c) (2) (B) and shall include, but not be limited to: costs of construction; certain developer fees; consultant fees including legal, architectural and engineering fees if added to the basis of the property; provided, however, qualified expenditures shall not include property acquisition costs, new additions to the historic structure or other new buildings, parking, and landscaping costs.

“Severely economically distressed community”, (i) Fall River, (ii) Holyoke, (iii) Lawrence, (iv) New Bedford , (v) Springfield or (vi) a city with median household incomes of less than 70 per cent of the state average; unemployment rates 1.5 per cent higher than the state average; subsidized housing in excess of 10 per cent; and a federal poverty level in excess of 20 per cent.

“Substantial rehabilitation,” as defined in Federal Treasury Regulation section 1.48-12(b)(2)(i) and includes projects that involve qualified expenditures in excess of the larger of the adjusted basis of all owners of the building or $5,000.

“Taxpayer”, a person, firm partnership, trust, estate, limited liability company, or other entity subject to the income tax imposed by this chapter and are owners of income producing properties that are listed in or eligible for the National Register of Historic Places.

(b) There shall be an economic development tax credit incentive program for the substantial rehabilitation of mill properties in accordance with single use or any combination of the following: housing development with no less than 90 per cent market rate rental housing to be defined as no less than 110 per cent of the United States Housing and Urban Development annual median income in eligible areas; commercial; mixed use; or industrial purposes. Property shall be deed-restricted and income-producing for at least 10 years.

(c) For a taxable year beginning on or after January 1, 2016 a taxpayer engaged in substantial rehabilitation as provided in subsection (b) in a severely economically distressed community shall be allowed a credit against the taxes imposed by this chapter of no less than 20 per cent but not greater than 30 per cent of qualified expenditures.

(d) Within 60 days of the receipt of a complete application, the department shall conduct a cost-benefit analysis of every project that shows whether the project will result in a net revenue gain in state and local taxes. Upon completion of 48 months of the program and prior to the completion of 60 months, the department of revenue, with the assistance of an outside economic research organization to be selected and funded by the department shall produce an annual report to the legislature analyzing the program's effectiveness.

(e) The total of all tax credits available to a taxpayer pursuant to this section shall not exceed $10,000,000 in any 1 tax year.

(f) The commissioner of revenue, in consultation with the department, shall promulgate regulations necessary for the administration of this section.

SECTION 3. Subsection (s) of section 6 of chapter 62 of the General Laws is hereby repealed.

SECTION 4. Section 38II of chapter 63 of the General Laws is hereby repealed.

SECTION 5. Sections 3 and 4 shall take effect January 1, 2021.