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I N   S E N A T E

April 19, 2012

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Introduced by Sen. RANZENHOFER -- read twice and ordered printed, and  
when printed to be committed to the Committee on Investigations and  
Government Operations

AN ACT to amend the tax law, in relation to establishing a credit  
against income tax for the rehabilitation of distressed residential  
properties

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-  
BLY, DO ENACT AS FOLLOWS:

1     Section 1. Section 606 of the tax law is amended by adding a new  
2     subsection (uu) to read as follows:  
3     (UU) CREDIT FOR REHABILITATION OF DISTRESSED RESIDENTIAL PROPERTIES.  
4     (1) FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY FIRST, TWO THOUSAND  
5     TWELVE, A TAXPAYER SHALL BE ALLOWED A CREDIT AS HEREINAFTER PROVIDED,  
6     AGAINST THE TAX IMPOSED BY THIS ARTICLE, IN AN AMOUNT EQUAL TO THIRTY  
7     PERCENT OF THE QUALIFIED REHABILITATION EXPENDITURES MADE BY THE TAXPAY-  
8     ER WITH RESPECT TO A QUALIFIED DISTRESSED RESIDENTIAL PROPERTY.  
9     PROVIDED, HOWEVER, THE CREDIT SHALL NOT EXCEED ONE HUNDRED THOUSAND  
10    DOLLARS.  
11    (2) TAX CREDITS ALLOWED PURSUANT TO THIS SUBSECTION SHALL BE ALLOWED  
12    IN THE TAXABLE YEAR IN WHICH THE PROPERTY IS DEEMED A CERTIFIED REHABIL-  
13    ITATION.  
14    (3) IF THE AMOUNT OF THE CREDIT ALLOWABLE UNDER THIS SUBSECTION FOR  
15    ANY TAXABLE YEAR SHALL EXCEED THE TAXPAYER'S TAX FOR SUCH YEAR, THE  
16    EXCESS MAY BE CARRIED OVER TO THE FOLLOWING YEAR OR YEARS, AND MAY BE  
17    APPLIED AGAINST THE TAXPAYER'S TAX FOR SUCH YEAR OR YEARS, BUT SHALL NOT  
18    EXCEED TWENTY-FIVE THOUSAND DOLLARS.  
19    (4) (A) THE TERM "QUALIFIED REHABILITATION EXPENDITURE" MEANS, FOR  
20    PURPOSES OF THIS SUBSECTION, ANY AMOUNT PROPERLY CHARGEABLE TO A CAPITAL  
21    ACCOUNT:  
22    (I) IN CONNECTION WITH THE CERTIFIED REHABILITATION OF A QUALIFIED  
23    DISTRESSED RESIDENTIAL PROPERTY, AND  
24    (II) FOR PROPERTY FOR WHICH DEPRECIATION WOULD BE ALLOWABLE UNDER  
25    SECTION 168 OF THE INTERNAL REVENUE CODE.

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets  
[ ] is old law to be omitted.

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(B) SUCH TERM SHALL NOT INCLUDE (I) THE COST OF ACQUIRING ANY BUILDING OR INTEREST THEREIN, (II) ANY EXPENDITURE ATTRIBUTABLE TO THE ENLARGEMENT OF AN EXISTING BUILDING, OR (III) ANY EXPENDITURE MADE PRIOR TO JANUARY FIRST, TWO THOUSAND TWELVE OR AFTER DECEMBER THIRTY-FIRST, TWO THOUSAND SEVENTEEN.

(5) THE TERM "CERTIFIED REHABILITATION" MEANS, FOR PURPOSES OF DISTRESSED RESIDENTIAL PROPERTY IN THIS SUBSECTION, ANY REHABILITATION OF A CERTIFIED DISTRESSED RESIDENTIAL PROPERTY WHICH HAS BEEN APPROVED AND CERTIFIED BY A LOCAL GOVERNMENT AS BEING COMPLETED, WITH A CERTIFICATE OF OCCUPANCY ISSUED, AND THAT THE COSTS ARE CONSISTENT WITH THE WORK COMPLETED. SUCH CERTIFICATION SHALL BE ACCEPTABLE AS PROOF THAT THE EXPENDITURES RELATED TO SUCH REHABILITATION QUALIFY AS QUALIFIED REHABILITATION EXPENDITURES FOR PURPOSES OF THE CREDIT ALLOWED UNDER PARAGRAPH ONE OF THIS SUBSECTION.

(6) (A) THE TERM "QUALIFIED RESIDENTIAL PROPERTY" MEANS, FOR PURPOSES OF THIS SUBSECTION, A DISTRESSED RESIDENTIAL PROPERTY LOCATED WITHIN NEW YORK STATE:

(I) WHICH HAS BEEN SUBSTANTIALLY REHABILITATED,

(II) WHICH WAS CONSTRUCTED PRIOR TO JANUARY FIRST, NINETEEN HUNDRED SIXTY-TWO,

(III) WHICH IS OWNED BY THE TAXPAYER, AND

(IV) WHICH IS LOCATED WITHIN A DISTRESSED RESIDENTIAL OR MIXED-USE AREA, AS IDENTIFIED BY EACH LOCALITY THROUGH LOCAL LAW, THAT IS DEEMED AN AREA IN NEED OF COMMUNITY RENEWAL DUE TO DILAPIDATION AND VACANCIES.

(B) IF THE DISTRESSED RESIDENTIAL PROPERTY IS RENTAL PROPERTY, SUCH PROPERTY SHALL HAVE BEEN VACANT FOR AT LEAST SIX MONTHS WHILE ACTIVELY MARKETING FOR LEASE.

(C) A BUILDING SHALL BE TREATED AS HAVING BEEN "SUBSTANTIALLY REHABILITATED" IF THE QUALIFIED REHABILITATION EXPENDITURES IN RELATION TO SUCH BUILDING TOTAL TEN THOUSAND DOLLARS OR MORE.

(7) (A) IF THE TAXPAYER DISPOSES OF SUCH TAXPAYER'S INTEREST IN THE QUALIFIED DISTRESSED RESIDENTIAL PROPERTY, OR SUCH PROPERTY CEASES TO BE USED AS A RESIDENTIAL PROPERTY OF THE TAXPAYER WITHIN FIVE YEARS OF RECEIVING THE CREDIT UNDER THIS SUBSECTION, THE TAXPAYER'S TAX IMPOSED BY THIS ARTICLE FOR THE TAXABLE YEAR IN WHICH SUCH DISPOSITION OR CESSATION OCCURS SHALL BE INCREASED BY THE RECAPTURE PORTION OF THE CREDIT ALLOWED UNDER THIS SUBSECTION FOR ALL PRIOR TAXABLE YEARS WITH RESPECT TO SUCH REHABILITATION.

(B) FOR PURPOSES OF SUBPARAGRAPH (A) OF THIS PARAGRAPH, THE RECAPTURE PORTION SHALL BE THE PRODUCT OF THE AMOUNT OF CREDIT CLAIMED BY THE TAXPAYER MULTIPLIED BY A RATIO, THE NUMERATOR OF WHICH IS EQUAL TO SIXTY LESS THE NUMBER OF MONTHS THE BUILDING IS OWNED OR USED AS RESIDENTIAL PROPERTY BY THE TAXPAYER AND THE DENOMINATOR OF WHICH IS SIXTY.

S 2. Subparagraph (B) of paragraph 1 of subsection (i) of section 606 of the tax law is amended by adding a new clause (xxxiv) to read as follows:

|                                   |                                 |
|-----------------------------------|---------------------------------|
| (XXXIV) CREDIT FOR REHABILITATION | AMOUNT OF CREDIT                |
| OF DISTRESSED RESIDENTIAL         | UNDER SUBDIVISION FORTY-        |
| PROPERTIES UNDER SUBSECTION (UU)  | FIVE OF SECTION TWO HUNDRED TEN |

S 3. Section 210 of the tax law is amended by adding a new subdivision 45 to read as follows:

45. CREDIT FOR REHABILITATION OF DISTRESSED RESIDENTIAL PROPERTIES.

(1) FOR TAXABLE YEARS BEGINNING ON OR AFTER JANUARY FIRST, TWO THOUSAND TWELVE, A TAXPAYER SHALL BE ALLOWED A CREDIT AS HEREINAFTER PROVIDED,

AGAINST THE TAX IMPOSED BY THIS ARTICLE, IN AN AMOUNT EQUAL TO THIRTY PERCENT OF THE QUALIFIED REHABILITATION EXPENDITURES MADE BY THE TAXPAYER WITH RESPECT TO A QUALIFIED DISTRESSED RESIDENTIAL PROPERTY. PROVIDED, HOWEVER, THE CREDIT SHALL NOT EXCEED ONE HUNDRED THOUSAND DOLLARS.

(2) TAX CREDITS ALLOWED PURSUANT TO THIS SUBDIVISION SHALL BE ALLOWED IN THE TAXABLE YEAR IN WHICH THE PROPERTY IS DEEMED A CERTIFIED REHABILITATION.

(3) IF THE AMOUNT OF THE CREDIT ALLOWABLE UNDER THIS SUBDIVISION FOR ANY TAXABLE YEAR SHALL EXCEED THE TAXPAYER'S TAX FOR SUCH YEAR, THE EXCESS MAY BE CARRIED OVER TO THE FOLLOWING YEAR OR YEARS, AND MAY BE APPLIED AGAINST THE TAXPAYER'S TAX FOR SUCH YEAR OR YEARS, BUT SHALL NOT EXCEED TWENTY-FIVE THOUSAND DOLLARS.

(4) (A) THE TERM "QUALIFIED REHABILITATION EXPENDITURE" MEANS, FOR PURPOSES OF THIS SUBDIVISION, ANY AMOUNT PROPERLY CHARGEABLE TO A CAPITAL ACCOUNT:

(I) IN CONNECTION WITH THE CERTIFIED REHABILITATION OF A QUALIFIED RESIDENTIAL PROPERTY, AND

(II) FOR PROPERTY FOR WHICH DEPRECIATION WOULD BE ALLOWABLE UNDER SECTION 168 OF THE INTERNAL REVENUE CODE.

(B) SUCH TERM SHALL NOT INCLUDE (I) THE COST OF ACQUIRING ANY BUILDING OR INTEREST THEREIN, (II) ANY EXPENDITURE ATTRIBUTABLE TO THE ENLARGEMENT OF AN EXISTING BUILDING, OR (III) ANY EXPENDITURE MADE PRIOR TO JANUARY FIRST, TWO THOUSAND TWELVE OR AFTER DECEMBER THIRTY-FIRST, TWO THOUSAND SEVENTEEN.

(5) THE TERM "CERTIFIED REHABILITATION" MEANS, FOR PURPOSES OF THIS SUBDIVISION, ANY REHABILITATION OF A CERTIFIED DISTRESSED RESIDENTIAL PROPERTY WHICH HAS BEEN APPROVED AND CERTIFIED BY A LOCAL GOVERNMENT AS BEING COMPLETED, WITH A CERTIFICATE OF OCCUPANCY ISSUED, AND THAT THE COSTS ARE CONSISTENT WITH THE WORK COMPLETED. SUCH CERTIFICATION SHALL BE ACCEPTABLE AS PROOF THAT THE EXPENDITURES RELATED TO SUCH REHABILITATION QUALIFY AS QUALIFIED REHABILITATION EXPENDITURES FOR PURPOSES OF THE CREDIT ALLOWED UNDER PARAGRAPH ONE OF THIS SUBDIVISION.

(6) (A) THE TERM "QUALIFIED RESIDENTIAL PROPERTY" MEANS, FOR PURPOSES OF THIS SUBDIVISION, A DISTRESSED RESIDENTIAL PROPERTY LOCATED WITHIN NEW YORK STATE:

(I) WHICH HAS BEEN SUBSTANTIALLY REHABILITATED,

(II) WHICH WAS CONSTRUCTED PRIOR TO JANUARY FIRST, NINETEEN HUNDRED SIXTY-TWO,

(III) WHICH IS OWNED BY THE TAXPAYER, AND

(IV) WHICH IS LOCATED WITHIN A DISTRESSED RESIDENTIAL OR MIXED-USE AREA, AS IDENTIFIED BY EACH LOCALITY THROUGH LOCAL LAW, THAT IS DEEMED AN AREA IN NEED OF COMMUNITY RENEWAL DUE TO DILAPIDATION AND VACANCIES.

(B) IF THE DISTRESSED RESIDENTIAL PROPERTY IS RENTAL PROPERTY, SUCH PROPERTY SHALL HAVE BEEN VACANT FOR AT LEAST SIX MONTHS WHILE ACTIVELY MARKETING FOR LEASE.

(C) A BUILDING SHALL BE TREATED AS HAVING BEEN "SUBSTANTIALLY REHABILITATED" IF THE QUALIFIED REHABILITATION EXPENDITURES IN RELATION TO SUCH BUILDING TOTAL TEN THOUSAND DOLLARS OR MORE.

(7) (A) IF THE TAXPAYER DISPOSES OF SUCH TAXPAYER'S INTEREST IN THE QUALIFIED DISTRESSED RESIDENTIAL PROPERTY, OR SUCH PROPERTY CEASES TO BE USED AS A RESIDENTIAL PROPERTY OF THE TAXPAYER WITHIN FIVE YEARS OF RECEIVING THE CREDIT UNDER THIS SUBDIVISION, THE TAXPAYER'S TAX IMPOSED BY THIS ARTICLE FOR THE TAXABLE YEAR IN WHICH SUCH DISPOSITION OR CESSATION OCCURS SHALL BE INCREASED BY THE RECAPTURE PORTION OF THE CREDIT

1 ALLOWED UNDER THIS SUBDIVISION FOR ALL PRIOR TAXABLE YEARS WITH RESPECT  
2 TO SUCH REHABILITATION.

3 (B) FOR PURPOSES OF SUBPARAGRAPH (A) OF THIS PARAGRAPH, THE RECAPTURE  
4 PORTION SHALL BE THE PRODUCT OF THE AMOUNT OF CREDIT CLAIMED BY THE  
5 TAXPAYER MULTIPLIED BY A RATIO, THE NUMERATOR OF WHICH IS EQUAL TO SIXTY  
6 LESS THE NUMBER OF MONTHS THE BUILDING IS OWNED OR USED AS RESIDENTIAL  
7 PROPERTY BY THE TAXPAYER AND THE DENOMINATOR OF WHICH IS SIXTY.

8 S 4. This act shall take effect immediately and shall apply to taxable  
9 years beginning on or after January 1, 2012.