

STATE OF NEW YORK

2642--A

Cal. No. 750

2017-2018 Regular Sessions

IN SENATE

January 13, 2017

Introduced by Sens. RANZENHOFER, FUNKE, LARKIN, SERINO -- read twice and ordered printed, and when printed to be committed to the Committee on Investigations and Government Operations -- reported favorably from said committee and committed to the Committee on Finance -- reported favorably from said committee, ordered to first and second report, ordered to a third reading, amended and ordered reprinted, retaining its place in the order of third reading

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 Assembly, do enact as follows:

1 Section 1. Section 606 of the tax law is amended by adding a new
2 subsection (ccc) to read as follows:

3 (ccc) Credit for rehabilitation of distressed residential properties.
4 (1) For taxable years beginning on or after January first, two thousand
5 seventeen, 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.

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

LBD06135-02-7

1 (4) (A) The term "qualified rehabilitation expenditure" means, for
2 purposes of this subsection, any amount properly chargeable to a capital
3 account:

4 (i) in connection with the certified rehabilitation of a qualified
5 distressed residential property, and

6 (ii) for property for which depreciation would be allowable under
7 section 168 of the internal revenue code.

8 (B) Such term shall not include (i) the cost of acquiring any building
9 or interest therein, (ii) any expenditure attributable to the enlarge-
10 ment of an existing building, or (iii) any expenditure made prior to
11 January first, two thousand seventeen or after December thirty-first,
12 two thousand twenty-two.

13 (5) The term "certified rehabilitation" means, for purposes of
14 distressed residential property in this subsection, any rehabilitation
15 of a certified distressed residential property which has been approved
16 and certified by a local government as being completed, with a certifi-
17 cate of occupancy issued, and that the costs are consistent with the
18 work completed. Such certification shall be acceptable as proof that the
19 expenditures related to such rehabilitation qualify as qualified reha-
20 bilitation expenditures for purposes of the credit allowed under para-
21 graph one of this subsection.

22 (6) (A) The term "qualified residential property" means, for purposes
23 of this subsection, a distressed residential property located within New
24 York state:

25 (i) which has been substantially rehabilitated,

26 (ii) which was constructed prior to January first, nineteen hundred
27 sixty-two,

28 (iii) which is owned by the taxpayer, and

29 (iv) which is located within a distressed residential or mixed-use
30 area, as identified by each locality through local law, that is deemed
31 an area in need of community renewal due to dilapidation and vacancies.

32 (B) If the distressed residential property is rental property, such
33 property shall have been vacant for at least six months while actively
34 marketed for lease.

35 (C) A building shall be treated as having been "substantially rehabil-
36 itated" if the qualified rehabilitation expenditures in relation to such
37 building total ten thousand dollars or more.

38 (7) (A) If the taxpayer disposes of such taxpayer's interest in the
39 qualified distressed residential property, or such property ceases to be
40 used as a residential property of the taxpayer within five years of
41 receiving the credit under this subsection, the taxpayer's tax imposed
42 by this article for the taxable year in which such disposition or cessa-
43 tion occurs shall be increased by the recapture portion of the credit
44 allowed under this subsection for all prior taxable years with respect
45 to such rehabilitation.

46 (B) For purposes of subparagraph (A) of this paragraph, the recapture
47 portion shall be the product of the amount of credit claimed by the
48 taxpayer multiplied by a ratio, the numerator of which is equal to sixty
49 less the number of months the building is owned or used as residential
50 property by the taxpayer and the denominator of which is sixty.

51 (8) Any expenditure for which a credit is claimed under this
52 subsection shall not be eligible for any other credit under this chap-
53 ter.

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

1	<u>(xliv) Credit for rehabilitation</u>	<u>Amount of credit</u>
2	<u>of distressed residential</u>	<u>under subdivision fifty-three</u>
3	<u>properties under subsection (ccc)</u>	<u>of section two hundred ten-B</u>

4 § 3. Section 210-B of the tax law is amended by adding a new subdivi-
5 sion 53 to read as follows:

6 53. Credit for rehabilitation of distressed residential properties.

7 (1) For taxable years beginning on or after January first, two thousand
8 seventeen, a taxpayer shall be allowed a credit as hereinafter provided,
9 against the tax imposed by this article, in an amount equal to thirty
10 percent of the qualified rehabilitation expenditures made by the taxpay-
11 er with respect to a qualified distressed residential property.
12 Provided, however, the credit shall not exceed one hundred thousand
13 dollars.

14 (2) Tax credits allowed pursuant to this subdivision shall be allowed
15 in the taxable year in which the property is deemed a certified rehabil-
16 itation.

17 (3) If the amount of the credit allowable under this subdivision for
18 any taxable year shall exceed the taxpayer's tax for such year, the
19 excess may be carried over to the following year or years, and may be
20 applied against the taxpayer's tax for such year or years, but shall not
21 exceed twenty-five thousand dollars.

22 (4) (A) The term "qualified rehabilitation expenditure" means, for
23 purposes of this subdivision, any amount properly chargeable to a capi-
24 tal account:

25 (i) in connection with the certified rehabilitation of a qualified
26 residential property, and

27 (ii) for property for which depreciation would be allowable under
28 section 168 of the internal revenue code.

29 (B) Such term shall not include (i) the cost of acquiring any building
30 or interest therein, (ii) any expenditure attributable to the enlarge-
31 ment of an existing building, or (iii) any expenditure made prior to
32 January first, two thousand seventeen or after December thirty-first,
33 two thousand twenty-two.

34 (5) The term "certified rehabilitation" means, for purposes of this
35 subdivision, any rehabilitation of a certified distressed residential
36 property which has been approved and certified by a local government as
37 being completed, with a certificate of occupancy issued, and that the
38 costs are consistent with the work completed. Such certification shall
39 be acceptable as proof that the expenditures related to such rehabili-
40 tation qualify as qualified rehabilitation expenditures for purposes of
41 the credit allowed under paragraph one of this subdivision.

42 (6) (A) The term "qualified residential property" means, for purposes
43 of this subdivision, a distressed residential property located within
44 New York state:

45 (i) which has been substantially rehabilitated,

46 (ii) which was constructed prior to January first, nineteen hundred
47 sixty-two,

48 (iii) which is owned by the taxpayer, and

49 (iv) which is located within a distressed residential or mixed-use
50 area, as identified by each locality through local law, that is deemed
51 an area in need of community renewal due to dilapidation and vacancies.

52 (B) If the distressed residential property is rental property, such
53 property shall have been vacant for at least six months while actively
54 marketed for lease.

1 (C) A building shall be treated as having been "substantially rehabil-
2 itated" if the qualified rehabilitation expenditures in relation to such
3 building total ten thousand dollars or more.

4 (7) (A) If the taxpayer disposes of such taxpayer's interest in the
5 qualified distressed residential property, or such property ceases to be
6 used as a residential property of the taxpayer within five years of
7 receiving the credit under this subdivision, the taxpayer's tax imposed
8 by this article for the taxable year in which such disposition or cessa-
9 tion occurs shall be increased by the recapture portion of the credit
10 allowed under this subdivision for all prior taxable years with respect
11 to such rehabilitation.

12 (B) For purposes of subparagraph (A) of this paragraph, the recapture
13 portion shall be the product of the amount of credit claimed by the
14 taxpayer multiplied by a ratio, the numerator of which is equal to sixty
15 less the number of months the building is owned or used as residential
16 property by the taxpayer and the denominator of which is sixty.

17 (8) Any expenditure for which a credit is claimed under this subdivi-
18 sion shall not be eligible for any other credit under this chapter.

19 § 4. This act shall take effect immediately and shall apply to taxable
20 years beginning on or after January 1, 2017.