HB 3190 -2 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 1/28, 3/27

WHAT THE MEASURE DOES:
Reactivates the historic property special assessment program. Limits the program to commercial property. Allows reapplication for another initial 10-year term 10 years after the completion of a previous term. Disallows cities or counties from prohibiting a second 10-year term by resolution or ordinance. Sunsets the part of the program allowing for an initial 10-year term on July 1, 2032. Sunsets the part of the program allowing for a consecutive second 10-year term on July 1, 2031. Applies to property tax years 2026-27 and after.

ISSUES DISCUSSED:
- How bill limits program

EFFECT OF AMENDMENT:
-2 Limits eligible property to improved real property used or held to produce income. Eliminates the requirement for a 10-year waiting period between 10-year special assessment terms. Allows a preservation plan to be completed more than 24 months before the date the application is filed. Requires the owner to have property insurance which covers the real market value of the property or more. Sets an earlier March 1 application deadline. Expands the property which may be classified as historic property to property which will become listed in the National Register of Historic Places within two years following the property's classification as historic property. Clarifies the real market value listed on the assessment and tax roll for property granted special assessment is the real market value of the property on the last certified assessment and tax roll. Clarifies the interest on any additional taxes begin to accrue on December 15.

BACKGROUND:
The state program for historic property special assessment expired on July 1, 2024 (application deadline). The program was limited to properties listed on the National Register of Historic Places. Qualified property was specially assessed for 10 years, contingent upon execution of a preservation plan, and could have qualified for a consecutive second 10-year term if the preservation plan included significant investment in seismic upgrades, energy conservation, or disability access. Cities and counties could have adopted an ordinance or resolution to prohibit the second 10-year term for residential property.

The federal government offers an income tax credit for rehabilitating income-producing buildings listed on the National Register of Historic Places. The tax credit is 20 percent of the rehabilitation costs, excluding the purchase price. The rehabilitation expenditures must be "substantial" and exceed the greater of either the "adjusted basis" of the building or $5,000. "Adjusted basis" is the purchase price minus the cost of the land at time of purchase minus any depreciation already taken by the current owner plus the cost of any capital improvements made since purchase. An owner must keep a building at least five years to avoid any recapture of the tax credit by the Internal Revenue Service. The recapture amount ranges from 100 percent of the tax credit if the building was sold within the first year, to 20 percent of the tax credit if it is sold within the fifth year.

This summary has not been adopted or officially endorsed by action of the committee.