HB 3190 A STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Prepared By: Beau Olen, Economist
Meeting Dates: 5/5, 5/12

WHAT THE MEASURE DOES:

Reactivates and modifies the historic property special assessment program. Limits eligible property to improved real property used or held to produce income. Allows property classified as historic property to have an unlimited number of consecutive or non-consecutive 10-year special assessment terms. Disallows cities or counties from prohibiting a second 10-year special assessment term by resolution or ordinance. 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 at minimum, the real market value of the property. Sunsets the part of the program allowing for a consecutive second 10-year term on July 1, 2031 (application deadline). Sunsets the modified program on July 1, 2032 (application deadline). Applies to property tax years 2026-27 and after.

ISSUES DISCUSSED:

- Commercial property and housing
- Local government services
- Preventing demolition
- Project size and amortization
- Seismic upgrades and rental rate

EFFECT OF AMENDMENT:

No amendment.

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.