

March 8, 1999

**S 251. MODIFY HISTORIC REHABILITATION CREDIT. TO ALLOW THE HISTORIC REHABILITATION TAX CREDIT TO BE ALLOCATED BY PASS-THROUGH ENTITY TO ITS OWNERS.** As title indicates. Defines pass-through entity as all entities or businesses in which the owners report their share of income, losses, and credits from the entity on their state income tax returns. Credit allowed for rehabilitating certified historical structures and act provides that the NC Historical Comm'n, in consultation with the State Historic Preservation Officer, may adopt rules needed to administer the certification process. Effective for taxable years beginning on or after January 1, 1999.

**Intro. by Horton.**

Ref. to Finance

GS 105

June 23, 1999

**S 251. MODIFY HISTORIC REHABILITATION CREDIT.** Intro. 03/08/99. Senate committee substitute makes the following changes to 1st edition:

Reorganizes GS 105-129.35 (Credit for Rehabilitating Income-Producing Historic Structure) to add subsection on allocation of tax credit. Removes the limitation that the amount of the credit may not exceed the owner's adjusted basis in the pass-through entity at the end of the taxable year in which the structure is placed in service. Requires the pass-through entity and its owners to include with their tax returns not only a statement of the allocation made by the pass-through entity, but also the allocation that would have been required under GS 105-131.8 or GS 105-269.15 (normally governing the allocation of income tax credits of subchapter S corporations and partnerships).

Adds new GS 105-129.37(c) -- (f) (Forfeiture for Disposition). Provides that a taxpayer who is required under sec. 50 of the IRS Code to recapture all or part of the federal credit for rehabilitation forfeits the corresponding part of the State credit with respect to the historic structure. The forfeiture applies to owners in the same proportion that the credit was allowed. Provides for the forfeiture when the property's ownership changes. If the owner of a pass-through entity disposes of all or some of the owner's interest within five years from the date the structure is placed into service and the owner's interest is reduced to less than two-thirds, the owner forfeits a portion of the credit. The amount forfeited is determined by multiplying the amount of the credit by the percentage reduction in ownership and then multiplying that amount by the forfeiture percentage. The forfeiture percentage equals the recapture percentage found in the IRS Code (sec. 50(a)(1)(B)). Provides that forfeiture is not required if the owner dies or if the ownership changes because of a merger, consolidation, or similar transaction requiring approval of shareholders, partners, or members, but only if the taxpayer does not receive cash or tangible property as a result. Provides that the owner of pass-through entity that forfeits a credit is liable for all past taxes avoided plus interest computed from the date that the taxes would otherwise have been due. Provides that taxes and interest are due 30 days after the date the credit is forfeited.

Provides that the provisions of GS 105-129.35(b) (concerning the allocation of pass-through credits), as amended by the act, expire effective Jan. 1, 2002, for property placed in service on or after that date.

July 8, 1999

**S 251. MODIFY HISTORIC REHABILITATION CREDIT.** Intro. 3/8/99. House committee substitute makes the following changes to 2nd edition: (1) rewrites title to read AN ACT TO ALLOW THE HISTORIC REHABILITATION TAX CREDIT TO BE ALLOCATED BY A PASS-THROUGH ENTITY TO ITS OWNERS AND TO REQUIRE CORPORATIONS THAT ARE REQUIRED TO PAY FEDERAL-ESTIMATED INCOME TAX BY ELECTRONIC FUNDS TRANSFER TO PAY STATE-ESTIMATED INCOME TAX BY ELECTRONIC FUNDS TRANSFER; (2) amends GS 105-163.40 as last clause of rewritten title indicates and makes conforming changes to GS 105-241(b); and (3) makes changes concerning payment of estimated taxes by electronic funds transfer effective for taxable years beginning on or after Jan. 1, 2000.

