

## **S.F. No. 1340 – Historic structure rehabilitation credit; revival of expired provisions and other modifications; repeal of sunset (as proposed to be amended by the A-1 amendment)**

**Author:** Senator Kari Dziedzic

**Prepared by:** Nora Pollock, Senate Counsel (651/297-8066)

**Date:** March 14, 2023

---

Minnesota provides a refundable credit against income, corporate franchise, or insurance premiums tax equal to the federal credit for qualifying expenditures made to rehabilitate a certified historic structure, as defined in the Internal Revenue Code. Taxpayers may elect to receive a grant in lieu of the credit, equal to 90 percent of the credit amount. To qualify for the credit or grant, a project must also have qualified for the federal credit. Both the state credit or grant and federal credit are claimed over a five-year period beginning in the year the project is placed in service. Taxpayers must apply to the State Historic Preservation Office (SHPO), which verifies project eligibility and issues allocation certificates.

The Minnesota credit for historic structure rehabilitation expired after June 30, 2022. This bill reenacts expired provisions and allows certain projects that started rehabilitation work after June 30, 2022 to qualify for the credit, provides for the full amount of the credit or grant to be claimed the year the project is placed in service, increases the period after which the allocation certificate is issued that the project must be placed in service, allows for a secondary assignment of the credit.

**Section 1. Credit or grant allowed; certified historic structure.** Strikes language stating that the credit or grant is paid in five equal yearly installments, effectively providing that the credit or grant is paid in full the year the project is placed in service. Effective for applications for allocation certificates submitted after June 30, 2023.

**Section 2. Applications; allocations.** Strikes language stating that the credit is paid in five equal yearly installments, effectively providing that the credit is paid the year the project is placed in service. Provides that the taxpayer or grant recipient is entitled to the credit or grant provided that a project is placed in service within five, rather than three years, after the issuance of the certificate. Effective for applications for allocation certificates submitted after June 30, 2023.

**Section 3. Credit certificates; grants.** Strikes language referencing a credit recipient's assignment of the first one-fifth payment of the credit or grant. Effective for applications for allocation certificates submitted after June 30, 2023. Allows the first assignee of a credit or grant to assign the credit certificate in whole to a second assignee, which must be a financial institution. Requires the original credit certificate recipient and each assignee to file a return for the taxable year the project is placed in service. Effective for projects placed in service after June 30, 2023.

**Section 4. Historic structure rehabilitation credit; special provision.** Provides that projects that started rehabilitation work after June 30, 2022, and before July 1, 2023, that otherwise meet the statutory requirements to qualify for the credit are eligible to claim the credit if the credit application is received within 60 days of June 30, 2023.

**Section 5. Repeal of expiration and revival of expired provisions.** Repeals the sunset of the credit, so it would be ongoing. Revives and reenacts the provisions of the credit that expired June 30, 2022. Effective the day following final enactment for allocation certificates submitted after June 30, 2023.