

# New Jersey Senate Committee Approves Bill to Encourage Rehabilitation of Historic Properties

by Donald M. Pepe on April 2, 2012

A bill aimed to encourage New Jersey homeowners and New Jersey businesses to rehabilitate historic properties by providing tax credits is making its way through the state Senate. Sponsors of the Historic Property Reinvestment Act (S-141) hope that providing tax credits will facilitate job growth in the construction industry as well as preserve the state's heritage.

“New Jerseyans need jobs and this bill accomplishes that, especially in the construction industry. Spurring economic growth is also a priority and this bill accomplishes that too,” said Senator Barbara Buono (D-Middlesex). “It also boosts property values and encourages homeowners and businesses to invest in properties that may typically remain vacant and underused in austere times like these.”

The legislation would create tax credits for homeowners and businesses. In both cases, the credits would cover up to 25 percent of the cost of repairing and rehabilitating New Jersey historic properties. In order to qualify for a tax credit, properties must be listed on the National Register of Historic Places or the New Jersey Register of Historic Places. In addition, properties may also be designated by the State Historic Preservation Office or other agency as contributing to a district's historic significance.

For businesses, the tax credit would be uncapped and would apply against their corporation business tax and insurance premiums tax liabilities. Businesses seeking to take advantage of the program would be required to have eligible rehabilitation expenditures of either \$5,000 or the property's adjusted valuation used for federal income tax purposes (whichever is greater) within a specified rehabilitation period.

If the bill becomes law, New Jersey would join 32 other states that already have historic rehabilitation tax credits in place. As noted by NJToday.com, these programs have proven to generate significant financial gains. Analyses of similar programs in Maryland, Virginia, and Rhode Island have shown that the state can realize as much as \$8 on each dollar credited.

We will keep you posted as the legislation proceeds through the New Jersey legislature. In addition, our commercial real estate attorneys are available to advise owners of historical properties about the bill's potential benefits.