

Update on Tax Credit Task Force

The Task Force for the Study of Tax Credits and Economic Incentives in Oklahoma was established in 2011 under HB1285. The historic building rehabilitation tax credit was among the incentives programs considered during the task force's July 15th meeting, and a summary of that meeting appeared in the October issue of *Preservation Oklahoma News*.

Dr. Bob Blackburn, Executive Director of the Oklahoma Historical Society and the Oklahoma State Historic Preservation Officer and several business and community leaders and preservation advocates spoke about the importance of the rehabilitation tax credits and answered questions during the July 15th meeting. Responding to a request from the task force, Dr. Blackburn attended their October 12th meeting to further discuss the certification process for the 20% tax credits.

The Task Force scrutinized each of Oklahoma's tax credit programs for constitutionality based on guidelines set forth by former Attorney General Drew Edmondson. The tax credit must (1) "promote a public purpose affecting the inhabitants of the state as a community, not as individuals;" (2) be supported by "adequate consideration;" and (3) have "adequate controls and safeguards."

On December 22, 2011, the task force released its report containing ten recommendations. These include the elimination of transferability; audits for those seeking to use tax credits; the requirement of prior approval of projects seeking to use tax credits by a state entity; fiscal impact statements for future tax credit legislation; requirements related to job retention or creation as a result of tax credits; the consideration of tax credits as a "last resort" for incentives;

limitations on dollar amounts of credits; sunset provisions; restrictions on consideration of tax credit legislation at the end of legislative session; and transparency.

Since the start of the 2012 Legislative Session, numerous bills addressing these and other concerns with tax credits have been introduced. House Bill 2979, which proposed to end transferability and eliminate the historic tax credit, failed in committee, but other bills that could impact the historic tax credit by eliminating it, extending its deferral (due to expire July 1 of this year), or otherwise altering the way in which it is administered, are still under consideration.

Introduced in 2005, the Credit for Qualified Rehabilitation Expenditures allows property owners who rehabilitate National Register of Historic Places-eligible properties for use as public, for-profit entities to recoup a portion of their initial investment through tax incentives. It parallels a federal tax credit, therefore allowing up to a 20% state tax credit along with a 20% federal tax credit for a total of 40%.

There are very specific guidelines about the procedures of rehabilitation, and project proponents must stay within these guidelines to be eligible for the credit. Since its inception, over 20 properties across the state have been successfully rehabilitated utilizing the state tax credit, including such landmarks as the Mayo and Ambassador Hotels in Tulsa, the Skirvin Hotel in Oklahoma City, and the Wells Building in Sapulpa. Investors in these and many other projects have said that these would not have been possible without the tax incentives.

For more information, contact Preservation Oklahoma at preservationok@preservationok.org.

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