

Second Regular Session
Seventy-fourth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 24-0883.01 Pierce Lively x2059

HOUSE BILL 24-1125

HOUSE SPONSORSHIP

Valdez and Soper,

SENATE SPONSORSHIP

Priola and Bridges,

House Committees
Finance

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE CREATION OF AN INCOME TAX CREDIT FOR
102 QUALIFIED COSTS INCURRED IN THE CONVERSION OF A
103 COMMERCIAL STRUCTURE TO A RESIDENTIAL STRUCTURE.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill creates a new refundable tax credit to be claimed in tax years commencing on or after January 1, 2026, and before January 1, 2036. The credit may be claimed for certain costs related to the conversion of a commercial structure to a residential structure.

In order to claim the credit, a person must submit an application,

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

a conversion plan, and an estimate of the qualified conversion expenditures under the conversion plan (documents) to the governor's office of economic development (office). Within 90 days of receiving documents, the office shall review the documents, determine whether to reserve a tax credit for the applicant, and provide written notice to an applicant for whom the office determines to reserve a tax credit.

The office may not reserve a tax credit in excess of \$3 million for any one project and may not reserve more than \$5 million of tax credits during any calendar year. If the office reserves less than \$5 million in a calendar year, the office may reserve a total of \$5 million plus the amount less than \$5 million that the office did not reserve in the previous calendar year.

An applicant for whom the office reserves a tax credit shall commence a conversion plan and incur 20% or more of the estimated qualified conversion expenditures (expenditures) within 18 months of receiving notice from the office that it is reserving a tax credit for the applicant. Such an applicant shall place in service the conversion set forth in a conversion plan on or before December 31, 2035.

After an applicant has placed a conversion in service, the applicant shall notify the office and provide the office with documentation of the applicant's certification of the expenditures and a certified public accountant's review of the expenditures. Within 90 days of receiving this documentation, the office shall review this documentation and issue a tax credit certificate to the applicant in an amount equal to 25% of the expenditures.

If, as of the last day of any taxable year within 15 taxable years from when the applicant placed a conversion in service, the structure that is the subject of the conversion plan is not a qualified residential structure, the qualified applicant shall add the full amount of the credit to its return as a recaptured credit for that taxable year.

The bill requires the office, in consultation with the department of revenue, to submit an annual report to the general assembly on the impact of the tax credit and to promulgate any policies and procedures necessary to implement the tax credit.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** 39-22-560 as
3 follows:

4 **39-22-560. Tax credit for qualified costs incurred in**
5 **converting commercial structures to residential structures - tax**

1 **preference performance statement - legislative declaration -**
2 **definitions - repeal. (1) Legislative declaration.** THE GENERAL
3 ASSEMBLY HEREBY FINDS AND DECLARES THAT IT IS THE INTENT OF THE
4 GENERAL ASSEMBLY THAT A QUALIFIED APPLICANT WHO CLAIMS THE TAX
5 CREDIT ALLOWED BY THIS SECTION IN CONNECTION WITH THE CONVERSION
6 OF A QUALIFIED COMMERCIAL BUILDING MAY ALSO CLAIM OTHER
7 APPLICABLE TAX CREDITS FOR THAT SAME CONVERSION.

8 (2) **Tax preference performance statement.** IN ACCORDANCE
9 WITH SECTION 39-21-304 (1), WHICH REQUIRES EACH BILL THAT CREATES
10 A NEW TAX EXPENDITURE TO INCLUDE A TAX PREFERENCE PERFORMANCE
11 STATEMENT AS PART OF A STATUTORY LEGISLATIVE DECLARATION, THE
12 GENERAL ASSEMBLY FINDS AND DECLARES THAT:

13 (a) THE GENERAL LEGISLATIVE PURPOSES OF THE TAX CREDIT
14 ALLOWED BY THIS SECTION ARE:

15 (I) TO INDUCE CERTAIN DESIGNATED BEHAVIOR BY TAXPAYERS;
16 AND

17 (II) TO PROVIDE TAX RELIEF FOR CERTAIN BUSINESSES OR
18 INDIVIDUALS;

19 (b) THE SPECIFIC LEGISLATIVE PURPOSE OF THE TAX CREDIT
20 ALLOWED BY THIS SECTION IS TO ADDRESS THE SHORTAGE OF AFFORDABLE
21 HOUSING IN THE STATE AND THE UNDERUTILIZATION OF CERTAIN
22 COMMERCIAL STRUCTURES BY ENCOURAGING THE OWNERS OF CERTAIN
23 COMMERCIAL STRUCTURES TO CONVERT THOSE PROPERTIES TO ALLOW FOR
24 RESIDENTIAL USE; AND

25 (c) THE GENERAL ASSEMBLY AND STATE AUDITOR SHALL MEASURE
26 THE EFFECTIVENESS OF THE CREDIT IN ACHIEVING THE PURPOSES SPECIFIED
27 IN SUBSECTIONS (2)(a) AND (2)(b) OF THIS SECTION BASED ON THE

1 INFORMATION REPORTED BY THE OFFICE PURSUANT TO SUBSECTION (13)
2 OF THIS SECTION.

3 (3) **Definitions.** AS USED IN THIS SECTION, UNLESS THE CONTEXT
4 OTHERWISE REQUIRES:

5 (a) "CONVERSION" MEANS THE NECESSARY REAL PROPERTY
6 IMPROVEMENT OF A QUALIFIED COMMERCIAL STRUCTURE SO THAT THE
7 QUALIFIED COMMERCIAL STRUCTURE BECOMES A QUALIFIED RESIDENTIAL
8 STRUCTURE.

9 (b) "CONVERSION PLAN" MEANS A PLAN SUBMITTED, IN A FORM
10 AND MANNER DETERMINED BY THE OFFICE, BY A QUALIFIED APPLICANT TO
11 THE OFFICE PURSUANT TO SUBSECTION (5) OF THIS SECTION.

12 (c) "DEPARTMENT" MEANS THE DEPARTMENT OF REVENUE.

13 (d) "OFFICE" MEANS THE COLORADO OFFICE OF ECONOMIC
14 DEVELOPMENT CREATED IN SECTION 24-48.5-101.

15 (e) (I) "QUALIFIED APPLICANT" MEANS ANY PERSON THAT INCURS
16 QUALIFIED CONVERSION COSTS AND SATISFIES ONE OR MORE OF THE
17 FOLLOWING CRITERIA:

18 (A) OWNS A TITLE TO A QUALIFIED COMMERCIAL STRUCTURE;

19 (B) OWNS A PROSPECTIVE TITLE TO A QUALIFIED COMMERCIAL
20 STRUCTURE IN THE FORM OF A PURCHASE AGREEMENT OR AN OPTION TO
21 PURCHASE;

22 (C) OWNS A LEASEHOLD INTEREST IN A QUALIFIED COMMERCIAL
23 STRUCTURE FOR A TERM OF NOT LESS THAN THIRTY-NINE YEARS; OR

24 (D) OWNS A LEASEHOLD INTEREST FOR A TERM OF NOT LESS THAN
25 FIVE YEARS IN A QUALIFIED COMMERCIAL STRUCTURE THAT IS LOCATED IN
26 A COMMUNITY OUTSIDE THE METROPOLITAN AREA;

27 (II) A QUALIFIED APPLICANT INCLUDES A PERSON WHO IS EXEMPT

1 FROM TAXATION PURSUANT TO SECTION 39-22-112.

2 (f) "QUALIFIED COMMERCIAL STRUCTURE" MEANS A STRUCTURE
3 OF WHICH AT LEAST SEVENTY-FIVE PERCENT OF THE TOTAL SQUARE
4 FOOTAGE IS DESIGNATED FOR COMMERCIAL USE.

5 (g) "QUALIFIED CONVERSION EXPENDITURES" MEANS ELIGIBLE
6 AMOUNTS ACTUALLY INCURRED AND PAID BY A QUALIFIED APPLICANT TO
7 PLACE A CONVERSION IN SERVICE, AS DETERMINED BY THE OFFICE.
8 QUALIFIED CONVERSION EXPENDITURES INCLUDE, BUT ARE NOT LIMITED
9 TO:

- 10 (I) ELEVATOR MODIFICATIONS;
- 11 (II) WINDOW MODIFICATIONS;
- 12 (III) UTILITY UPGRADES;
- 13 (IV) PLUMBING MODIFICATIONS; AND
- 14 (V) FACADE CHANGES.

15 (h) "QUALIFIED RESIDENTIAL STRUCTURE" MEANS A STRUCTURE
16 OF WHICH AT LEAST FIFTY PERCENT OF THE TOTAL SQUARE FOOTAGE IS
17 USED FOR PEOPLE TO LIVE IN AS THEIR PRIMARY RESIDENCE AND THAT
18 SATISFIES ALL LEGAL REQUIREMENTS FOR PERMANENT OCCUPANCY
19 DWELLING UNITS.

20 (4) **Reservation of credit and credit allowed.** (a) ON OR AFTER
21 JANUARY 1, 2025, BUT PRIOR TO JANUARY 1, 2033, THE OFFICE MAY
22 RESERVE THE ALLOCATION OF A CREDIT AGAINST THE INCOME TAXES
23 IMPOSED BY THIS ARTICLE 22 FOR A QUALIFIED APPLICANT PURSUANT TO
24 SUBSECTION (7) OF THIS SECTION.

25 (b) IN ORDER TO CLAIM A CREDIT RESERVED PURSUANT TO
26 SUBSECTION (4)(a) OF THIS SECTION, A QUALIFIED APPLICANT MUST PLACE
27 IN SERVICE THE CONVERSION SET FORTH IN THE CONVERSION PLAN

1 SUBMITTED PURSUANT TO SUBSECTION (5) OF THIS SECTION ON OR BEFORE
2 DECEMBER 31, 2035.

3 (c) THE OFFICE SHALL FINALIZE THE ISSUANCE OF ANY TAX CREDIT
4 ISSUED PURSUANT TO THIS SECTION ON OR BEFORE JUNE 30, 2036.

5 (d) FOR INCOME TAX YEARS COMMENCING ON OR AFTER JANUARY
6 1, 2026, AND BEFORE JANUARY 1, 2036, A QUALIFIED APPLICANT MAY
7 CLAIM A CREDIT AGAINST THE INCOME TAXES IMPOSED BY THIS ARTICLE
8 22 IN AN AMOUNT DETERMINED BY THE RESERVATION OF AN ALLOCATION
9 OF A CREDIT AGAINST THE INCOME TAXES IMPOSED BY THIS ARTICLE 22
10 ISSUED BY THE OFFICE PURSUANT TO SUBSECTION (7) OF THIS SECTION.

11 (5) **Submission and review of application, conversion plan, and**
12 **qualified conversion expenditures estimate.** (a) THE OFFICE SHALL
13 REVIEW A QUALIFIED APPLICANT'S APPLICATION, CONVERSION PLAN, AND
14 ESTIMATE OF THE QUALIFIED CONVERSION EXPENDITURES TO:

15 (I) DETERMINE WHETHER SUCH INFORMATION IS COMPLETE;

16 (II) MAKE A PRELIMINARY DETERMINATION OF WHETHER THE
17 CONVERSION PLAN IS A CERTIFIED CONVERSION;

18 (III) DETERMINE WHETHER THE CONVERSION PLAN IS A CERTIFIED
19 CONVERSION;

20 (IV) DETERMINE WHICH CONVERSION PLANS TO APPROVE FOR THE
21 RESERVATION FOR THE BENEFIT OF THE QUALIFIED APPLICANT OF AN
22 ALLOCATION OF A TAX CREDIT AS PROVIDED IN SUBSECTION (9)(a) OF THIS
23 SECTION.

24 (b) (I) FOR ANY APPLICATION, CONVERSION PLAN, AND ESTIMATE
25 OF THE QUALIFIED CONVERSION EXPENDITURES THAT THE OFFICE
26 DETERMINES PURSUANT TO SUBSECTION (5)(a)(I) OF THIS SECTION IS
27 INCOMPLETE, THE OFFICE SHALL NOTIFY THE QUALIFIED APPLICANT IN

1 WRITING OF THE OFFICE'S DETERMINATION AND SHALL REMOVE THE
2 APPLICATION, CONVERSION PLAN, AND ESTIMATE OF THE QUALIFIED
3 CONVERSION EXPENDITURES FROM THE REVIEW PROCESS.

4 (II) IF A QUALIFIED APPLICANT RESUBMITS AN APPLICATION,
5 CONVERSION PLAN, AND ESTIMATE OF THE QUALIFIED CONVERSION
6 EXPENDITURES, THE OFFICE MAY CHARGE A NEW APPLICATION FEE IN AN
7 AMOUNT SPECIFIED IN ACCORDANCE WITH SUBSECTION (6) OF THIS
8 SECTION.

9 (c) THE OFFICE SHALL MAKE THE PRELIMINARY DETERMINATION
10 OF WHETHER THE CONVERSION PLAN IS A CERTIFIED CONVERSION
11 PURSUANT TO SUBSECTION (5)(a)(II) OF THIS SECTION WITHIN NINETY
12 DAYS.

13 (d) IN MAKING THE FINAL DETERMINATION OF WHETHER A
14 CONVERSION PLAN IS A CERTIFIED CONVERSION PLAN PURSUANT TO
15 SUBSECTION (5)(a)(III) OF THIS SECTION, THE OFFICE SHALL DEVELOP
16 STANDARDS THAT MUST INCLUDE, BUT ARE NOT LIMITED TO:

17 (I) A DETAILED COST ESTIMATE FOR THE CONVERSION PLAN;

18 (II) EVIDENCE OF SITE CONTROL OF THE SITE WHERE THE
19 CONVERSION WILL OCCUR; AND

20 (III) THE FINANCING OR FUNDING THAT IS AVAILABLE FOR THE
21 CONVERSION PLAN.

22 (e) IN MAKING THE DETERMINATION OF WHICH CONVERSION PLANS
23 TO APPROVE FOR THE RESERVATION FOR THE BENEFIT OF THE QUALIFIED
24 APPLICANT OF AN ALLOCATION OF A TAX CREDIT PURSUANT TO
25 SUBSECTION (5)(a)(IV) OF THIS SECTION, THE OFFICE SHALL PRIORITIZE
26 CONVERSION PLANS THAT ARE CLOSER TO BEING FINALIZED, BUT THE
27 OFFICE SHALL ALSO REQUEST AND CONSIDER ADDITIONAL CRITERIA

1 INCLUDING, BUT NOT LIMITED TO:

2 (I) THE GEOGRAPHIC DIVERSITY OF THE APPLICATIONS AND
3 CONVERSION PLANS THAT QUALIFIED APPLICANTS HAVE SUBMITTED TO
4 THE OFFICE;

5 (II) WHETHER THE CONVERSION PLAN IS RECEIVING PROPERTY TAX
6 ABATEMENTS, CREDITS, REBATES, OR OTHER INCENTIVES FROM A LOCAL
7 TAXING JURISDICTION;

8 (III) WHETHER THE CONVERSION WILL OCCUR WITHOUT THE
9 ISSUANCE OF A TAX CREDIT PURSUANT TO THIS SECTION;

10 (IV) WHETHER THE QUALIFIED APPLICANT WILL RECEIVE A
11 FEDERAL INCENTIVE FOR THE CONVERSION;

12 (V) THE PROXIMITY OF THE QUALIFIED COMMERCIAL STRUCTURE
13 TO PUBLIC TRANSPORTATION; AND

14 (VI) THE EXPECTED QUALIFICATION OF THE BUILDING FOR A
15 CERTIFIABLE SUSTAINABLE PROGRAM BOTH BEFORE AND AFTER THE
16 CONVERSION.

17 (f) THE OFFICE SHALL ONLY REVIEW AN APPLICATION, CONVERSION
18 PLAN, AND ESTIMATE OF THE QUALIFIED CONVERSION EXPENDITURES
19 SUBMITTED IN CONNECTION WITH A PROPERTY FOR WHICH A PROPERTY
20 ADDRESS, LEGAL DESCRIPTION, OR OTHER SPECIFIC LOCATION IS PROVIDED
21 IN THE APPLICATION AND CONVERSION PLAN.

22 (6) **Application and issuance fees.** (a) FOR A QUALIFIED
23 COMMERCIAL STRUCTURE FOR WHICH THE AMOUNT OF THE TAX CREDIT
24 REQUESTED BY A QUALIFIED APPLICANT PURSUANT TO THIS SECTION IS
25 TWO HUNDRED FIFTY THOUSAND DOLLARS OR MORE, THE OFFICE MAY
26 IMPOSE A REASONABLE APPLICATION FEE ON A QUALIFIED APPLICANT THAT
27 DOES NOT EXCEED FIVE HUNDRED DOLLARS. FOR A QUALIFIED

1 COMMERCIAL STRUCTURE FOR WHICH THE AMOUNT OF TAX CREDIT
2 REQUESTED PURSUANT TO THIS SECTION IS LESS THAN TWO HUNDRED
3 FIFTY THOUSAND DOLLARS, THE OFFICE MAY IMPOSE A REASONABLE
4 APPLICATION FEE ON A QUALIFIED APPLICANT THAT DOES NOT EXCEED
5 TWO HUNDRED FIFTY DOLLARS.

6 (b) THE OFFICE MAY IMPOSE ON A QUALIFIED APPLICANT A
7 REASONABLE ISSUANCE FEE OF UP TO THREE PERCENT OF THE AMOUNT OF
8 THE TAX CREDIT ISSUED, WHICH MUST BE PAID BEFORE THE TAX CREDIT IS
9 ISSUED TO THE QUALIFIED APPLICANT.

10 (c) ANY FEE REVENUE COLLECTED PURSUANT TO THIS SUBSECTION
11 (6) MUST BE APPLIED TO THE ADMINISTRATION OF THE TAX CREDIT
12 CREATED BY THIS SECTION.

13 (7) **Reservation of tax credits.** A RESERVATION OF TAX CREDITS
14 IS PERMITTED IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION. IF
15 THE OFFICE RESERVES A TAX CREDIT FOR THE BENEFIT OF A QUALIFIED
16 APPLICANT, THE OFFICE SHALL NOTIFY THE QUALIFIED APPLICANT IN
17 WRITING OF THE RESERVATION AND THE AMOUNT RESERVED. THE
18 RESERVATION OF A TAX CREDIT BY THE OFFICE FOR A QUALIFIED
19 APPLICANT DOES NOT ENTITLE THE QUALIFIED APPLICANT TO AN ISSUANCE
20 OF ANY TAX CREDITS UNTIL THE QUALIFIED APPLICANT COMPLIES WITH ALL
21 THE OTHER REQUIREMENTS SPECIFIED IN THIS SECTION FOR THE ISSUANCE
22 OF THE TAX CREDIT. WHEN THE OFFICE APPROVES A RESERVATION OF TAX
23 CREDITS, THE OFFICE MAY ALSO IMPOSE ADDITIONAL REQUIREMENTS,
24 WHICH A QUALIFIED APPLICANT SHALL SATISFY AS PART OF PLACING A
25 CONVERSION IN SERVICE, BEFORE A TAX CREDIT IS ISSUED TO THE
26 QUALIFIED APPLICANT.

27 (8) **Deadline for incurring specified amount of estimated**

1 **qualified conversion expenditures - proof of compliance - audit of**
2 **conversion expenditure certification - issuance of tax credit**
3 **certificate - commercial structures. (a) (I) A QUALIFIED APPLICANT**

4 RECEIVING A RESERVATION OF TAX CREDITS PURSUANT TO SUBSECTION (7)
5 OF THIS SECTION SHALL INCUR TWENTY PERCENT OR MORE OF THE
6 ESTIMATED QUALIFIED CONVERSION EXPENDITURES CONTAINED IN THE
7 APPLICATION AND CONVERSION PLAN NOT LATER THAN EIGHTEEN MONTHS
8 AFTER THE DATE OF ISSUANCE OF THE WRITTEN NOTICE FROM THE OFFICE
9 TO THE QUALIFIED APPLICANT GRANTING THE RESERVATION OF A TAX
10 CREDIT.

11 (II) A QUALIFIED APPLICANT FOR WHOM THE OFFICE HAS RESERVED
12 A TAX CREDIT SHALL SUBMIT EVIDENCE OF COMPLIANCE WITH THE
13 PROVISIONS OF SUBSECTION (8)(a)(I) OF THIS SECTION. IF THE OFFICE
14 DETERMINES THAT A QUALIFIED APPLICANT HAS FAILED TO COMPLY WITH
15 THE REQUIREMENTS OF SUBSECTION (8)(a)(I) OF THIS SECTION, THE OFFICE
16 SHALL PROMPTLY NOTIFY THE QUALIFIED APPLICANT AND MAY RESCIND
17 THE ISSUANCE OF THE WRITTEN NOTICE IT PREVIOUSLY GAVE THE
18 QUALIFIED APPLICANT GRANTING THE RESERVATION OF A TAX CREDIT. IF
19 THE OFFICE SO RESCINDS AN ISSUANCE OF THE WRITTEN NOTICE, THE
20 QUALIFIED APPLICANT MAY SUBMIT A NEW APPLICATION, CONVERSION
21 PLAN, AND ESTIMATE OF QUALIFIED CONVERSION EXPENDITURES FOR
22 WHICH THE OFFICE MAY CHARGE A NEW APPLICATION FEE IN ACCORDANCE
23 WITH SUBSECTION (6) OF THIS SECTION, AND THE TOTAL AMOUNT OF TAX
24 CREDITS MADE AVAILABLE FOR RESERVATION IN THE CALENDAR YEAR
25 DURING WHICH THE OFFICE RESCINDS THE ISSUANCE OF WRITTEN NOTICE
26 MUST INCREASE BY THE AMOUNT OF THE TAX CREDIT RESERVED IN THE
27 WRITTEN NOTICE.

1 (b) AFTER A QUALIFIED APPLICANT PLACES A CONVERSION IN
2 SERVICE, THE QUALIFIED APPLICANT SHALL NOTIFY THE OFFICE THAT THE
3 CONVERSION HAS BEEN PLACED IN SERVICE AND SHALL CERTIFY THE
4 QUALIFIED CONVERSION EXPENDITURES. IN THIS NOTICE, THE APPLICANT
5 SHALL INCLUDE A REVIEW OF THE CERTIFICATION BY A LICENSED
6 CERTIFIED PUBLIC ACCOUNTANT THAT IS NOT AFFILIATED WITH THE
7 QUALIFIED APPLICANT THAT ALIGNS WITH OFFICE POLICIES FOR
8 CERTIFICATION OF QUALIFIED CONVERSION EXPENDITURES. THE
9 APPLICANT SHALL ALSO CERTIFY AND PROVIDE DOCUMENTS
10 DEMONSTRATING THAT THE APPLICANT SATISFIED ANY REQUIREMENTS
11 IMPOSED BY THE OFFICE PURSUANT TO SUBSECTION (7) OF THIS SECTION.
12 WITHIN NINETY DAYS AFTER RECEIPT OF SUCH DOCUMENTATION FROM THE
13 QUALIFIED APPLICANT, THE OFFICE SHALL REVIEW THE QUALIFIED
14 APPLICANT'S DOCUMENTATION OF CONVERSION EXPENDITURES,
15 DETERMINE WHETHER THE DOCUMENTATION SATISFIES THE CONVERSION
16 PLAN AND OTHER REQUIREMENTS, AND, IF THE OFFICE DETERMINES THAT
17 THE DOCUMENTATION SATISFIES THE CONVERSION PLAN AND OTHER
18 REQUIREMENTS, THE OFFICE SHALL ISSUE A TAX CREDIT CERTIFICATE IN AN
19 AMOUNT EQUAL TO TWENTY-FIVE PERCENT OF THE ACTUAL QUALIFIED
20 CONVERSION EXPENDITURES, SUBJECT TO SUBSECTION (8)(c) OF THIS
21 SECTION.

22 (c) NOTWITHSTANDING SUBSECTION (8)(b) OF THIS SECTION:

23 (I) THE TOTAL AMOUNT OF THE TAX CREDIT CERTIFICATE ISSUED
24 FOR ANY PARTICULAR PROJECT MUST NOT EXCEED THE AMOUNT OF THE
25 TAX CREDIT RESERVATION ISSUED FOR THE PROJECT PURSUANT TO
26 SUBSECTION (7) OF THIS SECTION; AND

27 (II) THE AMOUNT OF A TAX CREDIT CERTIFICATE TO BE ISSUED FOR

1 THE CONVERSION OF ANY SINGLE QUALIFIED COMMERCIAL STRUCTURE
2 MUST NOT EXCEED THREE MILLION DOLLARS.

3 (d) IF THERE ARE ANY UNRESERVED AMOUNTS OF TAX CREDITS
4 AVAILABLE PER SUBSECTION (9) OF THIS SECTION, AND IF THE AMOUNT OF
5 QUALIFIED CONVERSION EXPENDITURES INCURRED BY THE QUALIFIED
6 APPLICANT WOULD RESULT IN A QUALIFIED APPLICANT BEING ISSUED AN
7 AMOUNT OF TAX CREDITS THAT EXCEEDS THE AMOUNT OF TAX CREDITS
8 RESERVED FOR THE QUALIFIED APPLICANT PURSUANT TO SUBSECTION (7)
9 OF THIS SECTION, THE QUALIFIED APPLICANT MAY APPLY TO THE OFFICE
10 FOR THE ISSUANCE OF AN ADDITIONAL AMOUNT OF TAX CREDITS THAT
11 EQUALS THE EXCESS BY SUBMITTING AN APPLICATION FOR ISSUANCE OF
12 SUCH EXCESS TAX CREDITS IN A FORM AND MANNER DETERMINED BY THE
13 OFFICE. THE OFFICE SHALL REVIEW THE APPLICATION IN THE SAME
14 MANNER THAT IT REVIEWS ALL OTHER APPLICATIONS AND MAY APPROVE
15 THE APPLICATION BY MEANS OF A SEPARATE CERTIFICATE AWARDING THE
16 QUALIFIED APPLICANT AN ADDITIONAL TAX CREDIT.

17 (9) **Limit on aggregate amount of all tax credits that the office**
18 **may reserve.** (a) THE AGGREGATE AMOUNT OF ALL TAX CREDITS THAT
19 THE OFFICE MAY RESERVE PURSUANT TO THIS SECTION MUST NOT EXCEED
20 FIVE MILLION DOLLARS IN ANY CALENDAR YEAR, IN ADDITION TO THE
21 AMOUNT OF ANY PREVIOUSLY RESERVED TAX CREDITS THAT WERE
22 RESCINDED PURSUANT TO SUBSECTION (8)(a)(II) OF THIS SECTION DURING
23 THE CALENDAR YEAR.

24 (b) IF THE OFFICE'S ISSUANCE OF A WRITTEN NOTICE TO A
25 QUALIFIED APPLICANT FOR THE RESERVATION OF A TAX CREDIT WOULD
26 CAUSE THE OFFICE TO EXCEED THE LIMIT OF TAX CREDITS THAT THE OFFICE
27 MAY RESERVE FOR THAT CALENDAR YEAR PURSUANT TO SUBSECTION

1 (9)(a) OF THIS SECTION, IN THE NEXT CALENDAR YEAR, THE OFFICE MAY
2 ISSUE A WRITTEN NOTICE TO THE QUALIFIED APPLICANT FOR A
3 RESERVATION OF A TAX CREDIT THAT IS EQUAL TO THE AMOUNT BY WHICH
4 THE OFFICE WOULD EXCEED THE LIMIT IN SUBSECTION (9)(a) OF THIS
5 SECTION.

6 (c) NOTWITHSTANDING SUBSECTION (9)(a) OF THIS SECTION, IF THE
7 AGGREGATE AMOUNT OF ALL TAX CREDITS RESERVED BY THE OFFICE FOR
8 ANY CALENDAR YEAR IS LESS THAN THE AMOUNT AVAILABLE AS
9 CALCULATED PURSUANT TO SUBSECTION (9)(a) OF THIS SECTION, THEN
10 THE AGGREGATE AMOUNT OF ALL TAX CREDITS THAT THE OFFICE MAY
11 RESERVE IN THE NEXT CALENDAR YEAR IS INCREASED BY THE UNRESERVED
12 AMOUNT.

13 (d) ANY TAX CREDITS RESERVED BY THE OFFICE PURSUANT TO THIS
14 SECTION FOR A PARTNERSHIP, A LIMITED LIABILITY COMPANY TAXED AS A
15 PARTNERSHIP, OR MULTIPLE OWNERS OF A PROPERTY MUST BE PASSED
16 THROUGH TO THE PARTNERS, MEMBERS, OR OWNERS, INCLUDING ANY
17 NONPROFIT ENTITY THAT IS A PARTNER, MEMBER, OR OWNER,
18 RESPECTIVELY, ON A PRO RATA BASIS OR PURSUANT TO AN EXECUTED
19 AGREEMENT AMONG THE PARTNERS, MEMBERS, OR OWNERS
20 DOCUMENTING AN ALTERNATE DISTRIBUTION METHOD.

21 (10) **Filing tax credit certificate with income tax return.** IN
22 ORDER TO CLAIM THE CREDIT AUTHORIZED BY THIS SECTION, A QUALIFIED
23 APPLICANT SHALL FILE THE TAX CREDIT CERTIFICATE ISSUED BY THE
24 OFFICE PURSUANT TO SUBSECTION (8) OF THIS SECTION WITH THE
25 QUALIFIED APPLICANT'S STATE INCOME TAX RETURN. IF THE QUALIFIED
26 APPLICANT IS EXEMPT FROM TAX PURSUANT TO SECTION 39-22-112 (1),
27 THE QUALIFIED APPLICANT SHALL FILE A RETURN PURSUANT TO SECTION

1 39-22-601 (7)(b). THE AMOUNT OF THE TAX CREDIT THAT A QUALIFIED
2 APPLICANT MAY CLAIM PURSUANT TO THIS SECTION IS THE AMOUNT
3 STATED ON THE TAX CREDIT CERTIFICATE.

4 (11) **Refundability.** THE ENTIRE TAX CREDIT TO BE ISSUED
5 PURSUANT TO THIS SECTION MAY BE CLAIMED BY THE QUALIFIED
6 APPLICANT IN THE TAXABLE YEAR IN WHICH THE CONVERSION IS PLACED
7 IN SERVICE. IF THE AMOUNT OF THE CREDIT ALLOWED PURSUANT TO THIS
8 SECTION EXCEEDS THE AMOUNT OF INCOME TAXES OTHERWISE DUE ON THE
9 INCOME OF THE QUALIFIED APPLICANT IN THE INCOME TAX YEAR FOR
10 WHICH THE CREDIT IS BEING CLAIMED, OR THE QUALIFIED APPLICANT IS A
11 PERSON WHO IS EXEMPT FROM TAXATION PURSUANT TO SECTION
12 39-22-112, NINETY PERCENT OF THE AMOUNT OF THE CREDIT NOT USED AS
13 AN OFFSET AGAINST INCOME TAXES IN THE INCOME TAX YEAR IS REFUNDED
14 TO THE QUALIFIED APPLICANT.

15 (12) **Compliance monitoring and recapture.** (a) EXCEPT AS
16 PROVIDED IN SUBSECTION (12)(b) OF THIS SECTION, IF, AS OF THE LAST
17 DAY OF ANY TAXABLE YEAR DURING THE COMPLIANCE PERIOD, THE
18 STRUCTURE THAT IS THE SUBJECT OF A CONVERSION PLAN IS NOT A
19 QUALIFIED RESIDENTIAL STRUCTURE, THE OFFICE SHALL NOTIFY THE
20 QUALIFIED APPLICANT AND THE DEPARTMENT THAT THE CREDIT ALLOWED
21 IN THIS SECTION IS DISALLOWED. THE QUALIFIED APPLICANT SHALL ADD
22 THE FULL AMOUNT OF THE CREDIT TO ITS RETURN AS A RECAPTURED
23 CREDIT FOR THE TAXABLE YEAR IN WHICH THE CREDIT IS DISALLOWED
24 PURSUANT TO THIS SUBSECTION (12).

25 (b) THE POTENTIAL INCREASE IN TAX REQUIRED PURSUANT TO
26 SUBSECTION (12)(a) OF THIS SECTION SHALL NOT APPLY:

27 (I) IF A STRUCTURE IS NOT A QUALIFIED RESIDENTIAL STRUCTURE

1 AS A RESULT OF A CASUALTY LOSS, IF SUCH LOSS IS RESTORED BY
2 RECONSTRUCTION OR REPLACEMENT WITHIN A REASONABLE PERIOD
3 ESTABLISHED BY THE OFFICE; OR

4 (II) SOLELY BY REASON OF THE DISPOSITION OF A QUALIFIED
5 RESIDENTIAL STRUCTURE, OR AN INTEREST THEREIN, IF IT IS REASONABLY
6 EXPECTED THAT THE STRUCTURE WILL CONTINUE TO BE OPERATED AS A
7 QUALIFIED RESIDENTIAL STRUCTURE FOR THE REMAINDER OF THE
8 COMPLIANCE PERIOD.

9 (c) (I) THE OFFICE SHALL ESTABLISH REPORTING REQUIREMENTS
10 TO MONITOR COMPLIANCE WITH THIS SUBSECTION (12), INCLUDING
11 REQUIREMENTS REGARDING THE REPORTING OF A DISPOSITION OF A
12 QUALIFIED RESIDENTIAL STRUCTURE BY THE QUALIFIED APPLICANT AND
13 THE REPORTING REQUIRED FOR SUCH A STRUCTURE FOR THE REMAINDER
14 OF THE COMPLIANCE PERIOD.

15 (II) IF A DISPUTE ARISES ABOUT WHETHER A STRUCTURE IS A
16 QUALIFIED RESIDENTIAL STRUCTURE, THE OFFICE SHALL ADJUDICATE THE
17 DISPUTE AND NOTIFY THE DEPARTMENT OF THE RESOLUTION.

18 (III) NOTWITHSTANDING SECTION 39-21-107 (2), IF A QUALIFIED
19 RESIDENTIAL STRUCTURE, OR AN INTEREST THEREIN, IS DISPOSED OF
20 DURING ANY TAXABLE YEAR DURING THE COMPLIANCE PERIOD, AND
21 THEREAFTER THE STRUCTURE IS NOT A QUALIFIED RESIDENTIAL
22 STRUCTURE:

23 (A) THE QUALIFIED APPLICANT SHALL ADD THE FULL AMOUNT OF
24 THE CREDIT TO ITS RETURN AS A RECAPTURED CREDIT FOR THE TAXABLE
25 YEAR IN WHICH THE CREDIT IS DISALLOWED PURSUANT TO THIS
26 SUBSECTION (12) NOTWITHSTANDING THE DISPOSITION OF THE QUALIFIED
27 RESIDENTIAL STRUCTURE;

1 (B) THE STATUTORY PERIOD FOR THE ASSESSMENT OF ANY
2 DEFICIENCY WITH RESPECT TO THE DISALLOWED CREDIT MUST NOT EXPIRE
3 BEFORE THE EXPIRATION OF THREE YEARS FROM THE DATE THE OFFICE IS
4 NOTIFIED, IN SUCH A MANNER AS THE OFFICE DETERMINES, THAT THE
5 STRUCTURE IS NOT A QUALIFIED RESIDENTIAL STRUCTURE; AND

6 (C) THE DEPARTMENT SHALL ASSESS ANY DEFICIENCY BEFORE THE
7 EXPIRATION OF SUCH THREE-YEAR PERIOD TOGETHER WITH ANY
8 APPLICABLE INTEREST AND PENALTY IMPOSED PURSUANT TO THIS ARTICLE
9 22.

10 (d) AS USED IN THIS SUBSECTION (12), UNLESS THE CONTEXT
11 OTHERWISE REQUIRES, "COMPLIANCE PERIOD" MEANS THE PERIOD OF
12 FIFTEEN YEARS FOLLOWING THE TAXABLE YEAR IN WHICH THE QUALIFIED
13 APPLICANT PLACED A CONVERSION IN SERVICE.

14 (13) **Reporting.** NO LATER THAN DECEMBER 31, 2027, AND,
15 NOTWITHSTANDING THE REQUIREMENT IN SECTION 24-1-136 (11)(a)(I), NO
16 LATER THAN DECEMBER 31 OF EACH YEAR THEREAFTER UNTIL 2036, THE
17 OFFICE SHALL PROVIDE A WRITTEN REPORT TO THE GENERAL ASSEMBLY
18 AND SHALL FURTHER MAKE THE REPORT AVAILABLE TO THE PUBLIC. IN
19 CONNECTION WITH TAX CREDITS ISSUED PURSUANT TO THIS SECTION, THE
20 REPORT MUST INCLUDE:

21 (a) THE NUMBER OF PROJECTS CONVERTING QUALIFIED
22 COMMERCIAL STRUCTURES TO QUALIFIED RESIDENTIAL STRUCTURES;

23 (b) THE NUMBER OF RESIDENTIAL UNITS PLANNED OR CREATED;

24 (c) THE OCCUPANCY RATE OF CREATED RESIDENTIAL UNITS;

25 (d) THE NUMBER OF RESIDENTIAL UNITS THAT ARE AFFORDABLE;

26 (e) THE COUNTIES IN WHICH QUALIFIED COMMERCIAL STRUCTURES
27 WERE CONVERTED TO QUALIFIED COMMERCIAL RESIDENTIAL STRUCTURES;

1 (f) THE NONRESIDENTIAL USES IN QUALIFIED COMMERCIAL
2 STRUCTURES THAT WERE CONVERTED TO QUALIFIED RESIDENTIAL
3 STRUCTURES; AND

4 (g) THE AMOUNT OF ANY DISALLOWED TAX CREDIT RECAPTURED
5 PURSUANT TO SUBSECTION (12) OF THIS SECTION.

6 (14) **Policies and procedures.** THE OFFICE MAY CREATE AND
7 MODIFY POLICIES AND PROCEDURES AS NECESSARY TO FURTHER
8 IMPLEMENT THE TAX CREDITS TO BE CLAIMED FOR THE CONVERSION OF
9 QUALIFIED COMMERCIAL STRUCTURES PURSUANT TO THIS SECTION AND
10 SHALL SOLICIT ADVICE FROM THE DEPARTMENT IN CREATING AND
11 MODIFYING SUCH POLICIES AND PROCEDURES.

12 (15) **Repeal.** THIS SECTION IS REPEALED, EFFECTIVE DECEMBER
13 31, 2041.

14 **SECTION 2. Act subject to petition - effective date.** This act
15 takes effect at 12:01 a.m. on the day following the expiration of the
16 ninety-day period after final adjournment of the general assembly; except
17 that, if a referendum petition is filed pursuant to section 1 (3) of article V
18 of the state constitution against this act or an item, section, or part of this
19 act within such period, then the act, item, section, or part will not take
20 effect unless approved by the people at the general election to be held in
21 November 2024 and, in such case, will take effect on the date of the
22 official declaration of the vote thereon by the governor.