

House Bill 1197

By: Representatives Houston of the 170th, Powell of the 33rd, Greene of the 154th, Jackson of the 128th, Pirkle of the 169th, and others

A BILL TO BE ENTITLED
AN ACT

1 To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated,
2 relating to the imposition, rate, computation, exemptions, and credits relative to income
3 taxes, so as to expand the revitalization zone tax credits to include rehabilitation of historic
4 residential structures; to authorize the extension of a designation as a revitalization zone; to
5 authorize areas to be designated as revitalization zones more than once; to provide that no
6 new designations or extensions shall be made after a certain date; to provide for information
7 sharing; to extend a provision for an automatic repeal; to provide for definitions; to provide
8 for related matters; to provide for an effective date and applicability; to repeal conflicting
9 laws; and for other purposes.

10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

11 **SECTION 1.**

12 Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the
13 imposition, rate, computation, exemptions, and credits relative to income taxes, is amended
14 by revising Code Section 48-7-40.32, relating to revitalization zone tax credits, as follows:

15 "48-7-40.32.

16 (a) As used in this Code section, the term:

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17 (1) 'Certified entity' means any eligible business which establishes a new location within
18 a revitalization zone on or after January 1, 2018, or any existing eligible business located
19 within a revitalization zone that expands its operations, and which:

20 (A) Has created at least two new full-time equivalent jobs in a taxable year; and

21 (B) Has been certified by the commissioner of community affairs as eligible to receive
22 the revitalization zone tax credit based on established criteria in this Code section and
23 promulgated in regulations by the commissioner of community affairs. Such
24 certification shall be attached to the income tax return when the credit is claimed.

25 (2) 'Certified historic residential structure owner or investor' means a person or persons
26 who:

27 (A) Own or acquire and develop a historic residential structure within a designated
28 revitalization zone; and

29 (B) Have been certified by the commissioner of community affairs as eligible to
30 receive the revitalization zone tax credit based on criteria established in this Code
31 section and promulgated in regulations by the commissioner of community affairs.
32 Such certification shall be attached to the income tax return when the credit is claimed.

33 (3) 'Certified investor' means an investor or investors who:

34 (A) Acquire and develop real estate within a designated revitalization zone; and

35 (B) Have been certified by the commissioner of community affairs as eligible to
36 receive the revitalization zone tax credit based on criteria established in this Code
37 section and promulgated in regulations by the commissioner of community affairs.
38 Such certification shall be attached to the income tax return when the credit is claimed.

39 ~~(3)~~(4) 'Eligible business' means any establishment that is primarily engaged in providing
40 professional services or in retailing merchandise and rendering services incidental to the
41 sale of merchandise, including but not limited to the North American Industry
42 Classification System Codes 31, 44-45, 54, and 72.

43 ~~(4)~~(5) 'Full-time equivalent' means an aggregate of employee hours worked totaling 40
44 hours per week, the equivalent of one full-time job.

45 (6) 'Historic residential structure' means a structure that is:

46 (A)(i) Located in an area within the revitalization zone which is designated as a
47 historic district pursuant to Article 2 of Chapter 10 of Title 44, the 'Georgia Historic
48 Preservation Act'; or

49 (ii) Located in an area within the revitalization zone which is designated as a historic
50 district on the National Register of Historic Places;

51 (B) Individually designated as a local, state, or national historic landmark or is at least
52 50 years old; and

53 (C) Provides more than one residential unit for lease.

54 ~~(5)~~(7) 'Local government' means a county, municipality, or consolidated local
55 government created pursuant to Article IX, Sections I, II, or III of the Constitution;
56 applicable general state statutes; a local Act of the General Assembly; or such other
57 method as was valid at the time of its creation.

58 ~~(6)~~(8) 'Qualified rehabilitation expenditure' means labor and material costs associated
59 with the rehabilitation of a certified investor property or certified historic residential
60 structure owner or investor property which:

61 (A) Complies with the state minimum standard codes and any applicable local codes;
62 and

63 (B) Has been certified by the commissioner of community affairs as eligible to receive
64 the revitalization zone tax credit based on established criteria in this Code section and
65 promulgated in regulations by the commissioner of community affairs. Such
66 certification shall be attached to the income tax return when the credit is claimed.

67 ~~(7)~~(9) 'Revitalization zone' means a specified geographic region, such as a downtown
68 development authority boundary, that meets all criteria provided by this Code section and

69 has been designated by the commissioner of community affairs and the commissioner of
70 economic development to be in need of economic revitalization.

71 (b)(1) The commissioner of community affairs and the commissioner of economic
72 development are authorized to designate a specified area as a revitalization zone, enabling
73 new and established businesses, ~~and~~ new business investments, and investments in
74 certified historic residential structures in the zone to qualify for revitalization zone tax
75 credits. The commissioner of community affairs and the commissioner of economic
76 development may designate up to ten revitalization zones in any given year; provided,
77 however, that there shall not be more than 50 revitalization zones in existence at the same
78 time. This designation shall last for five consecutive years upon approval of the
79 commissioners; provided, however, that the commissioners may extend such designation
80 for two additional years if the revitalization zone has demonstrated success. An area that
81 has previously been designated as a revitalization zone may be designated as a
82 revitalization zone again if at least two years have passed since the expiration of its initial
83 designation or extension period. After 2027, the commissioners shall not make any
84 designations or extensions pursuant to this Code section.

85 (2) To be eligible to apply for revitalization zone status, local governments must have
86 a population of fewer than 15,000 residents. In addition, local governments must prove
87 economic distress based on poverty rate, vacancy of the downtown area, or blight and
88 shall meet the three following characteristics:

89 ~~(1)~~(A) A concentration of historic commercial structures at least 50 years old within
90 the targeted area;

91 ~~(2)~~(B) A feasibility study or market analysis identifying the business activities and
92 housing needs which can be supported in the targeted area; and

93 ~~(3)~~(C) A master plan or strategic plan designed to assist private and public investment.

94 (c)(1) Certified entities shall receive the revitalization zone tax credit for five years
95 beginning with the first taxable year in which new full-time equivalent jobs are created

96 in a revitalization zone and for years two, three, four, and five of the taxable years
97 immediately following, provided that the new full-time equivalent jobs are maintained
98 for each year the tax credit is claimed.

99 (2) Each new full-time equivalent job created will be eligible for a \$2,000.00 annual
100 income tax credit. The amount of credit claimed by each certified entity shall not exceed
101 \$40,000.00 per taxable year.

102 (3) The number of new full-time equivalent jobs shall be determined by comparing the
103 monthly average of full-time equivalent jobs subject to Georgia income tax withholding
104 for a given taxable year with the corresponding period of the prior taxable year; provided,
105 however, that a certified entity which begins operations during the taxable year may be
106 certified by the commissioner of community affairs to base initial eligibility on a period
107 of less than 12 months.

108 (4) This income tax credit shall not be allowed during a year if the net employment
109 increase falls below the number required by subparagraph (a)(1)(A) of this Code section.

110 (5) Any credit generated and utilized in years prior to the year in which the net
111 employment increase falls below the number required by subparagraph (a)(1)(A) of this
112 Code section shall not be affected.

113 (d) Certified investors who acquire and develop property in a revitalization zone on or
114 after January 1, 2018, shall receive the revitalization zone tax credit, subject to the
115 following:

116 (1) Certified investors shall demonstrate a property's ongoing commercial benefit as
117 follows:

118 (A) An eligible business is located in the investment property and qualifies to receive
119 the tax credit pursuant to subsection (c) of this Code section; or

120 (B) An eligible business is located in the investment property and maintains a
121 minimum of two full-time equivalent jobs for each year the tax credit is claimed;

122 (2) The amount of the tax credit per project shall be 25 percent of the purchase price and
123 shall not exceed \$125,000.00; provided, however, that the entire credit shall not be taken
124 in the year in which the property is placed in commercial service but shall be prorated
125 equally in five installments over five taxable years, beginning with the taxable year in
126 which the property is placed in service; and

127 (3) A certified investor shall be allowed to preserve the revitalization zone tax credit for
128 up to seven years from the date of initial eligibility in the event the commercial
129 requirement in paragraph (1) of this subsection is not satisfied in consecutive years.

130 (e)(1) A certified investor or certified entity with qualified rehabilitation expenditures
131 on or after January 1, 2018, or a certified historic residential structure owner or investor
132 with qualified rehabilitation expenditures on or after January 1, 2025, shall receive the
133 revitalization zone tax credit for three years beginning with the year the property is placed
134 in service. The amount of the tax credit per project shall be 30 percent of the qualified
135 rehabilitation expenditures and shall not exceed \$150,000.00; provided, however, that the
136 entire credit shall not be taken in the year in which the property is placed in commercial
137 service but shall be prorated equally in three installments over three taxable years,
138 beginning with the taxable year in which the property is placed in service. ~~The~~ For a
139 certified investor or certified entity, the eligible business shall maintain a minimum of
140 two full-time equivalent jobs for each year the tax credit is claimed.

141 (2) A certified investor, ~~or certified entity, or certified historic residential structure owner~~
142 or investor shall meet minimum historic preservation standards in order to be qualified
143 to receive the revitalization zone tax credit. The standards shall be identified with the
144 assistance of the Department of Community Affairs.

145 (3) A taxpayer who is entitled to and takes credits provided by this Code section for a
146 project shall not be allowed to utilize the same qualified rehabilitation expenditures to
147 generate any additional state income tax credits, including, but not limited to, the state
148 income tax credit for rehabilitated historic property administered by the Department of

149 Community Affairs. Jobs created by, arising from, or connected in any way with the
150 same project are not eligible to be used toward other job related tax credits.

151 (f) In no event shall the amount of the tax credits allowed by this Code section for a
152 taxable year exceed a certified entity's, ~~or certified investor's,~~ or certified historic
153 residential structure owner's or investor's state income tax liability. Any credit claimed
154 under this Code section by a certified entity or certified investor but not used in any taxable
155 year may be carried forward for ten years from the close of the taxable year in which the
156 credit is claimed. No such credit shall be allowed by the taxpayer against prior years' tax
157 liability.

158 (g) Any tax credits earned under this Code section are nontransferable.

159 (h) A certified entity shall report to the revenue commissioner the qualifying net job
160 increases or decreases each year. A certified investor ~~or certified historic residential~~
161 structure owner or investor shall report to the revenue commissioner the investment amount
162 in the initial qualifying year. The revenue commissioner and the commissioner of
163 community affairs shall have the authority to require reports and promulgate regulations
164 as needed in order to perform their duties under this Code section. The revenue
165 commissioner is authorized to share aggregate information with the commissioner of
166 community affairs on qualified rehabilitation expenditures and job tax credits claimed for
167 each revitalization zone each year for the purpose of reporting on economic activity within
168 each revitalization zone.

169 (i) This Code section shall stand automatically repealed and reserved on December 31,
170 2032 2027, unless reauthorized by the General Assembly prior to such date."

171 **SECTION 2.**

172 This Act shall become effective on January 1, 2025, and shall be applicable to taxable years
173 beginning on or after such date.

174

SECTION 3.

175 All laws and parts of laws in conflict with this Act are repealed.