

HB308 and changes to the Georgia State Income Tax Credit Program

Frequently Asked Questions:

- How do I apply for the New Historic Rehabilitation Tax Credit as authorized in HB 308?

The new higher credit currently is available for projects completed within the years 2017-2021. Applying for the new higher tax credit is very similar to the existing process and still requires submitting Part A – Preliminary Certification and Part B – Final Certification applications. DNR-HPD applications will be on new forms, and an approved Part A application must be submitted to the Georgia Department of Revenue (DOR) to “preapprove” the credit. There are new DOR forms (Form IT-RHC-AP for preapproval and Form IT-RHC-RPT for subsequently claiming a tax credit), and preapproval/claiming a tax credit must be done electronically through the DOR Georgia Tax Center. There is also a new fee schedule. See also: “How Do I Apply for Preliminary Certification of My Project at the Historic Preservation Division;” “How Do I Apply for Pre-Approval & Allocation of My Rehabilitation Tax Credit at the Georgia Department of Revenue;” and “How does the new fee schedule work?”

- How do I apply for Preliminary Certification of my project with the Historic Preservation Division?

Applying for preliminary certification under the HB308 changes remains very similar to the existing process. For projects where the Part A – Preliminary Certification is received before January 1, 2016 and the project will be completed before January 1, 2017, the application process is unchanged. However, as of January 1, 2016 all applications must be on the new Part A form, which will be available December 2, 2015. As before, you submit the Part A application and required accompanying documentation. What’s changed includes once received, HPD will bill you according to the new fee schedule (see “How does the new fee schedule work?”), then will review applications in the order payments are received. Since the statutory effective date of the changes to the program, including the new higher tax credit, is January 1, 2016, associated applications cannot actually be processed until January 4 at the earliest, which is the first business day of the New Year. See also: How will the completion date of my project effect the application process?

- What if I have already submitted a Part A application, but my project will produce more than \$300,000 in tax credits?

If your Part A – Preliminary Certification application was submitted to HPD before January 1, 2016 and HPD has completed its review and your project will be completed after January 1, 2017 and you would like to apply for the higher credit, you will need to fill out and submit original signed versions of Section I and II of the new Part A application (email attachments are not acceptable). The updated forms will then be attached to your previous application. While updated Part A applications can be submitted before January 1, 2016, they will not be processed until January 4 at the earliest. All updated applications will be processed as groups based on the dates they are received and fee payment is received. Billing notification will be by email. After payment has been received, approved Part As will be sent as a group as email attachments (originals to follow by mail). Updated applications received on January 5 and after will be similarly processed as groups in the order, by date, they are received and payment is received.

- How does the new fee schedule work?

The new fee schedule goes into effect January 1, 2016 and is based on a percentage of the qualified rehabilitation expenditures (QRE) that establish the amount of income tax credit allowed for a certified rehabilitation project. The fee amount is 1/2% (0.005) of the first \$500,000 in QREs plus 1% (0.01) of any QREs over \$500,000. The fee is nonrefundable and is collected in two installments: 75% at Part A – Preliminary Certification application and 25% at Part B – Final Certification application. HPD will bill the owner when the applications are received and project review will only begin after payment is received. The minimum fee is \$250 (for projects with QRE of \$100,000 or under) and the maximum fee is \$10,000. For projects with an acceptable Part A application received prior to January 1, 2016 that are completed after January 1, 2017, only the Part B fee portion of the new fee schedule will be charged.

Examples:

*Project with \$350,000 QRE
\$350,000 x 0.005 = \$1750 total fee
Part A fee bill = \$1312.50 (\$1750 x .75)
Part B fee bill = \$437.50 (\$1750 x .25)*

*Project with \$900,000 QRE
\$500,000 x 0.005 = \$2500
\$400,000 x 0.01 = \$4000
Total fee = \$6500
Part A fee bill = \$4875 (\$6500 x .75)
Part B fee bill = \$1625 (\$6500 x .25)*

*Project with \$4,000,000 QRE
\$500,000 x 0.005 = \$2500
\$3,500,000 x 0.01 = \$35,000*

Total fee = \$10,000 (maximum fee)
Part A fee bill = \$7500 (\$10,000 x .75)
Part B fee bill = \$2500 (\$10,000 x .25)

Frequently Asked Questions, continued

- How do I apply for preapproval & allocation of my Rehabilitation Tax Credit with the Georgia Department of Revenue?

You will electronically submit form IT-RHC-AP and an approved Part A – Preliminary Certification application (new form) through the Georgia Tax Center. The amount of credit preapproved and allocated for the project is based on the qualified rehabilitation expenditures (QREs) estimate listed on Form IT-RHC-AP, subject to individual project and program caps. The eventual claimed credit will be based on the actual QREs, except that it cannot exceed the preapproved amount. If a project's QREs are less than the amount estimated, the unused credits allocated for the project are not available to other projects, nor will they be added back into the pool of available credits. Questions about the Georgia Tax Center, DOR forms, and allocation of tax credits should be directed to Pam Goshay, 404.417.2441.

- How are the tax credits allocated if the \$25 million cap is reached?

Tax credits subject to the \$25 million cap are allocated on a first-come, first-served basis (in the order Form IT-RHC-AP is electronically received by the Georgia Tax Center) for the year the project is completed, subject to pro rata when applicable, and with a rollover provision to the next year where credits are still available. When you apply to the Georgia Department of Revenue (DOR) for your credit preapproval and allocation, you must indicate a year in which you plan to complete your project. If no credits are available in the year your project is planned for completion or any subsequent year through 2021 (the final year credits are currently available), then the application for credits will be denied.

Examples:

Project with \$4,000,000 qualified rehabilitation expenditures (QREs), which amounts to \$1,000,000 in tax credits, received by Georgia Tax Center (GTC) on February 1, 2017 with a completion date of October 31, 2018. The \$25 million cap 2017 has been exceeded; furthermore, projects received by GTC in 2016 and planned for completion in 2017 have been allocated \$10 million of the available 2018 credits under the rollover provision. Additionally, projects received by GTC in 2017 before February 1 have been allocated \$5,000,000 of the available 2018 credits. Since only \$15 million of the 2018 credits have been allocated at the time this project is received by GTC, the entire \$1,000,000 in credits will come from the 2018 \$25 million cap.

Project with \$4,000,000 qualified rehabilitation expenditures (QREs), which amounts to \$1,000,000 in tax credits, received by Georgia Tax Center (GTC) on June 30, 2017 with a completion date of May 31, 2019, along with four other projects with completion dates in 2019 that have QREs providing \$6,000,000 in credits. The \$25 million cap 2018 has

been exceeded, projects received by GTC in 2016 and 2017 (before June 30) planned for completion in 2019 have been allocated \$23 million of the available 2019 credits under the rollover provision. However, \$20 million of 2020 credits are still available. Since five projects, with \$7,000,000 of credits were received on the same day and there is only \$2,000,000 available credits left for 2019, that remaining amount is divided between the projects (\$400,000 each), the \$5,000,000 in remaining project credits are allocated from the 2020 credit cap.

Questions about the Georgia Tax Center, DOR forms, and allocation of tax credits should be directed to Pam Goshay, 404.417.2441.

- How will the completion date of my project effect the application process?

All Part A – Preliminary Certification applications must be on the new form beginning January 1st, 2016. Projects submitted after this date using old forms will be returned. Additionally,

For projects that begin after January 1st, 2016 and will be completed before January 1st, 2017: fees will be billed according to the new fee schedule, there is no DOR preapproval requirement, and claiming the credit uses (old) DOR Form IT-RHC 2009 (rev 04/10).

For projects that begin after January 1st, 2016 and will be completed after January 1st, 2017: fees will be billed according to the new fee schedule, historic home projects must use DOR Form IT-RHC 2017 to claim the credit, and any other certified structure project must use DOR Form IT-RHC-AP for preapproval of the credit and DOR Form IT-RHC-RPT to claim the credit.

For any other certified structure projects where Part A – Preliminary Certification applications have been submitted before January 1st, 2016 and will be completed after January 1st, 2017: applications must be resubmitted on the new Part A – Preliminary Certification form, fees will be billed according to the new fee schedule, and DOR Form IT-RHC-AP must be used for preapproval of the credit and DOR Form IT-RHC-RPT must be used to claim the credit.

If a project does not fall into one of the scenarios above, please contact HPD for further clarification.

Contact Molly McLamb, Tax Incentives Architectural Reviewer and Specialist, for more information – molly.mclamb@dnr.ga.gov or 770-389-7847