

# Downtown and Village Tax Credit Program

House Ways and Means

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# Overview of the Program

- Created in 1999.
- Provides three separate tax credit to assist individuals and developers rehabilitate and modernize older and historic buildings.
  - Code Improvement Credit
  - Historic Rehabilitation Credit
  - Façade Improvement Credit
- Designed for structures in downtown and village centers only.
- Capped by statute per year at \$3 million.
  - Some credits are carried forward or recaptured if the project isn't completed within 3 years of approval.



# Overview of the Program

- Many projects that qualify use the credits to supplement the Federal Historic Rehabilitation Tax Credit.
  - The federal credit is equal to 20% of qualifying expenditures incurred towards.
- Credits are typically awarded to the qualifying projects and sold to be claimed against tax liability.
  - Often credits are sold to banks that claim it against their bank franchise taxes.
- The entities that are awarded the credit often choose to sell them to a bank because they prefer access to the up-front cash for their project.



# Statutory Purpose

- Statutory purpose for all three credit is the following:
  - “to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers”
- 24 V.S.A. § 2790 provides goals of the downtown and village center designation, including:
  - Supporting downtowns by providing funding, training and resources to increase economic growth and diversity.
  - Attracting new and existing residents to downtown by enhancing livability
  - Removing barriers for collaboration between local downtown organizations, developers, businesses, nonprofits, and municipal government.
  - Encouraging mixed use development in downtowns.



# Details of the Credits

- **Code Improvement Tax Credit**

- 50% credit for qualified code improvements with certain maximums depending on the type of code improvement
  - \$12,000 for the installation of a platform lift
  - \$60,000 for the installation of a limited use, limited application elevator
  - \$75,000 for the installation of an elevator
  - \$50,000 for the installation of a sprinkler system
  - \$50,000 for the combined cost of all other code improvements



# Details of the Credits

- **Historic Rehabilitation Tax Credit**

- 10% credit for qualified rehabilitation expenses as defined by the Federal Historic Rehab Credit
- The building must either be listed or eligible for listing in the National Register of Historic Places to qualify.

- **Façade Improvement Tax Credit**

- 25% credit for qualified façade improvements- with a maximum credit equal to \$25,000.
- Defined as the rehabilitation of the façade of a qualified building that “contributes to the integrity of the designated downtown or designated village center.”

**Table 1: Total Credits Awarded by Credit Type, 2005-2020**  
(in millions of dollars)

	Total Credits	Share
<b>Code Improvement Credits</b>	<b>\$16.24</b>	<b>59%</b>
of which: Sprinkler systems	\$4.70	17%
of which: Lifts	\$0.41	1%
of which: Elevators	\$2.95	11%
of which: Technology improvements	\$0.94	3%
of which: other Code improvements	\$7.22	26%
<b>Façade Improvement Credits</b>	<b>\$6.79</b>	<b>25%</b>
<b>Historic Rehabilitation Credits</b>	<b>\$4.58</b>	<b>17%</b>
<b>Total</b>	<b>\$27.61</b>	



# Statutory History

- Precursor program created in 1997 by Act 120.
  - Two tax credits for the rehabilitation of historic buildings are created.
- 2005, Act 183: First program is repealed and modern program is created with \$1.5 million cap.
  - Downtown and village center designation created at same time.
- 2007 through 2020: Many definitional and qualification changes.
- Cap has been increased almost every year since 2007.
- 2022, Acts 182 and 183.



# Changes in Act 182 in 2022

- Act 182 expanded the program to include Neighborhood Development Areas (NDA's) until July 1, 2025.
- A separate bill, Act 183, increased the cap for FY23 and FY24 by \$2.45 million spread over the two years.
- Act 183 also specified that of the \$2.45 million, up to \$2.0 million could be awarded to qualifying projects in NDA's.





# Tax Expenditure in FY 2020 and FY 2021

## Downtown and Village Center Tax Credits for CIT, BFT, and IPT Combined

<b>Tax Credit</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Actual</b>
Downtown and Village Center Count	11	13
Downtown and Village Center Value	1,465,420	1,495,393
Code Improvement Value	*	*
Facade Improvement Value	*	*
Historic Rehabilitation Value	*	*



# Thanks!



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