

House Bill 73 (AS PASSED HOUSE AND SENATE)

By: Representatives Houston of the 170th, Powell of the 171st, Meadows of the 5th, Shaw of the 176th, Kelley of the 16th, 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, and exemptions from state income taxation, so
3 as to provide tax credit incentives to promote the revitalization of vacant rural Georgia
4 downtowns by encouraging investment, job creation, and economic growth in
5 long-established business districts; to provide for definitions; to delineate procedures,
6 conditions, eligibility, and limitations; to provide for powers, duties, and authority of the
7 commissioner of community affairs, the commissioner of economic development, and the
8 revenue commissioner; to provide for related matters; to provide for an effective date,
9 applicability, and automatic repeal; to repeal conflicting 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, and exemptions from state income taxation, is amended by
14 adding a new Code section to read as follows:

15 "48-7-40.32.

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

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 investor' means an investor or investors who:

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

- 27 (B) Have been certified by the commissioner of community affairs as eligible to
28 receive the revitalization zone tax credit based on criteria established in this Code
29 section and promulgated in regulations by the commissioner of community affairs.
30 Such certification shall be attached to the income tax return when the credit is claimed.
- 31 (3) 'Eligible business' means any establishment that is primarily engaged in providing
32 professional services or in retailing merchandise and rendering services incidental to the
33 sale of merchandise, including but not limited to the North American Industry
34 Classification System Codes 31, 44-45, 54, and 72.
- 35 (4) 'Full-time equivalent' means an aggregate of employee hours worked totaling 40
36 hours per week, the equivalent of one full-time job.
- 37 (5) 'Local government' means a county, municipality, or consolidated local government
38 created pursuant to Article IX, Sections I, II, or III of the Constitution; applicable general
39 state statutes; a local Act of the General Assembly; or such other method as was valid at
40 the time of its creation.
- 41 (6) 'Qualified rehabilitation expenditure' means labor and material costs associated with
42 the rehabilitation of a certified investor property which:
- 43 (A) Complies with the state minimum standard codes and any applicable local codes;
44 and
- 45 (B) Has been certified by the commissioner of community affairs as eligible to receive
46 the revitalization zone tax credit based on established criteria in this Code section and
47 promulgated in regulations by the commissioner of community affairs. Such
48 certification shall be attached to the income tax return when the credit is claimed.
- 49 (7) 'Revitalization zone' means a specified geographic region that meets all criteria
50 provided by this Code section and has been designated by the commissioner of
51 community affairs and the commissioner of economic development to be in need of
52 economic revitalization.
- 53 (b) The commissioner of community affairs and the commissioner of economic
54 development are authorized to designate a specified area as a revitalization zone, enabling
55 new and established businesses and new business investments in the zone to qualify for
56 revitalization zone tax credits. The commissioner of community affairs and the
57 commissioner of economic development may designate up to ten revitalization zones in
58 any given year; provided, however, that there shall not be more than 50 revitalization zones
59 in existence at the same time. This designation shall last for five consecutive years upon
60 approval of the commissioners. To be eligible to apply for revitalization zone status, local
61 governments must have a population of fewer than 15,000 residents. In addition, local
62 governments must prove economic distress based on poverty rate, vacancy of the
63 downtown area, or blight and shall meet the three following characteristics:

- 64 (1) A concentration of historic commercial structures at least 50 years old within the
65 targeted area;
- 66 (2) A feasibility study or market analysis identifying the business activities which can
67 be supported in the targeted area; and
- 68 (3) A master plan or strategic plan designed to assist private and public investment.
- 69 (c)(1) Certified entities shall receive the revitalization zone tax credit for five years
70 beginning with the first taxable year in which new full-time equivalent jobs are created
71 in a revitalization zone and for years two, three, four, and five of the taxable years
72 immediately following, provided the new full-time equivalent jobs are maintained for
73 each year the tax credit is claimed.
- 74 (2) Each new full-time equivalent job created will be eligible for a \$2,000.00 annual
75 income tax credit. The amount of credit claimed by each certified entity shall not exceed
76 \$40,000.00 per taxable year.
- 77 (3) The number of new full-time equivalent jobs shall be determined by comparing the
78 monthly average of full-time equivalent jobs subject to Georgia income tax withholding
79 for a given taxable year with the corresponding period of the prior taxable year; provided,
80 however, a certified entity which begins operations during the taxable year may be
81 certified by the commissioner of community affairs to base initial eligibility on a period
82 of less than 12 months.
- 83 (4) This income tax credit shall not be allowed during a year if the net employment
84 increase falls below the number required by subparagraph (a)(1)(A) of this Code section.
- 85 (5) Any credit generated and utilized in years prior to the year in which the net
86 employment increase falls below the number required by subparagraph (a)(1)(A) of this
87 Code section shall not be affected.
- 88 (d) Certified investors who acquire and develop property in a revitalization zone on or
89 after January 1, 2018, shall receive the revitalization zone tax credit, subject to the
90 following:
- 91 (1) Certified investors shall demonstrate a property's ongoing commercial benefit as
92 follows:
- 93 (A) An eligible business is located in the investment property and qualifies to receive
94 the tax credit pursuant to subsection (c) of this Code section; or
- 95 (B) An eligible business is located in the investment property and maintains a
96 minimum of two full-time equivalent jobs for each year the tax credit is claimed;
- 97 (2) The amount of the tax credit per project shall be 25 percent of the purchase price and
98 shall not exceed \$125,000.00; provided, however, that the entire credit shall not be taken
99 in the year in which the property is placed in commercial service but shall be prorated

100 equally in five installments over five taxable years, beginning with the taxable year in
101 which the property is placed in service; and

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

105 (e)(1) A certified investor or certified entity with qualified rehabilitation expenditures
106 on or after January 1, 2018, shall receive the revitalization zone tax credit for three years
107 beginning with the year the property is placed in service. The amount of the tax credit
108 per project shall be 30 percent of the qualified rehabilitation expenditures and shall not
109 exceed \$150,000.00; provided, however, the entire credit shall not be taken in the year
110 in which the property is placed in commercial service but shall be prorated equally in
111 three installments over three taxable years, beginning with the taxable year in which the
112 property is placed in service. The business shall maintain a minimum of two full-time
113 equivalent jobs for each year the tax credit is claimed.

114 (2) A certified investor or certified entity shall meet minimum historic preservation
115 standards in order to be qualified to receive the revitalization zone tax credit. The
116 standards shall be identified with the assistance of the Department of Natural Resources'
117 Historic Preservation Division.

118 (3) A taxpayer who is entitled to and takes credits provided by this Code section for a
119 project shall not be allowed to utilize the same qualified rehabilitation expenditures to
120 generate any additional state income tax credits, including, but not limited to, the state
121 income tax credit for rehabilitated historic property administered by the Department of
122 Natural Resources' Historic Preservation Division. Jobs created by, arising from, or
123 connected in any way with the same project are not eligible to be used toward other job
124 related tax credits.

125 (f) In no event shall the amount of the tax credits allowed by this Code section for a
126 taxable year exceed a certified entity's or certified investor's state income tax liability. Any
127 credit claimed under this Code section by a certified entity or certified investor but not used
128 in any taxable year may be carried forward for ten years from the close of the taxable year
129 in which the credit is claimed. No such credit shall be allowed by the taxpayer against
130 prior years' tax liability.

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

132 (h) A certified entity shall report to the revenue commissioner the qualifying net job
133 increases or decreases each year. A certified investor shall report to the revenue
134 commissioner the investment amount in the initial qualifying year. The revenue
135 commissioner and the commissioner of community affairs shall have the authority to

136 require reports and promulgate regulations as needed in order to perform their duties under
137 this Code section.
138 (i) This Code section shall stand automatically repealed on December 31, 2027, unless
139 reauthorized by the General Assembly prior to such date."

140 **SECTION 2.**

141 This Act shall become effective upon its approval by the Governor or upon its becoming law
142 without such approval and shall be applicable to all taxable years beginning on or after
143 January 1, 2018.

144 **SECTION 3.**

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