Using Tax Credits to Enhance Brownfields Programs
Purpose of Brownfields Programs and Incentives?

1. Environmental Cleanup Program?

2. Real Estate Development Program?

3. A tool to provide capital at critical times in a redevelopment project?
Brownfields Incentives are necessary because liability concerns and increased costs inhibit cleanup and reuse of properties with environmental issues.
Brownfields Incentives allow capital to be applied to a project at critical junctures to make cleanup and reuse possible.
The use of tax incentives, coupled with other brownfields incentives can maximize the effectiveness of brownfields programs and expand the universe of projects that are economically feasible.
Multiple Tax Incentives are available to facilitate brownfields redevelopment including Federal, State, and local tax incentives
Tax Increment Financing

- Actual or projected difference in tax revenue between baseline (blighted) condition and redeveloped condition is returned to developer for debt service or used to bond to provide working capital.

- TIFs require
  - Legislative Authority
  - Finding of Blight/Designation of an Urban Renewal Area
  - Local jurisdiction decides what taxes are included in TIF
New Market Tax Credits

- Incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities.
  - Community Development Entities use authority to offer tax credits to investors in exchange for equity in the CDE.
  - CDEs can then make loans and investments to businesses operating in low-income communities.
  - Reported to leverage $8 of private investment for every $1 of federal investment.
Low Income Housing Credits

- IRS Program – provides federal income tax credits for affordable housing
- Provided to each state on a per capita basis
- State’s designated tax credit allocating agency distributes credits through a Qualified Application Plan
- Credits usually sold to investors to provide cash equity
Historic Rehabilitation Credit

- Administered by IRS and State Historic Rehabilitation Offices
  - 20% credit for rehab of certified historic structures
  - 10% credit for rehab of older but non-certified structures. (repealed 12/2017)
  - Has leveraged over $84 billion of private investment since 1976
Opportunity Zones

- Enacted as part of the 2017 tax reform package to promote redevelopment in areas with a “persistent lack of growth”
- Provides a reduction and potential elimination of certain federal capital gains taxes.
- Tax benefit increases over time
- IRS rules under development
State Tax Incentives

- Multiple States offer tax incentives are available to facilitate Brownfields redevelopment.

- Eligibility and credit value vary from state to state.
State Tax Incentives

- Property Tax Credits – include exclusions and reductions
- Available in
  - North Carolina
  - Maryland (Baltimore County)
  - Kentucky
  - Georgia
  - Ohio
  - New York
State Income Tax Credits

- Brownfield Income Tax Credits provide credit based on remediation costs.

- Available in -
  - New York
  - Iowa
  - Missouri
  - Colorado
  - Florida
  - Kentucky
State Tax Incentives

- Other state tax incentives include:
  - Credits for new job creation
  - Credits for obtaining environmental insurance
  - Redevelopment/Reinvestment Credits
Effective from January 1, 2000 – December 31, 2010
- 50% of the first $100,000 of project cost
- 30% of the amount over $100,000 up to $200,000
- 20% of the amount over $200,000 up to $300,000
- No credit available for costs over $300,000

Only available in municipalities with population exceeding 10,000
Colorado’s Brownfields Tax Credit
Version 1.0


- $3,679,172 in tax credits earned

- $8,704,490 expended for cleanup
Colorado’s Brownfields Tax Credit
Version 1.0

- 2406 acres remediated
- 1741 jobs created
- 480 homes built
Version 2.0 – Development of a New Brownfields Tax Credit

- Stakeholder Driven Process

- Focus on statewide availability and transferability

- Developed Legislative proposal with assistance of State Senator who sponsored the bill
Version 2.0-Credit Eligibility

- Credit applies to taxpayers and qualified entities
- Credit is available Statewide
- Credit is transferable
- Perform environmental remediation through Voluntary Cleanup Program
Version 2.0 – Value of Credit

- 40% of the first $750K of approved remediation costs
- 30% of the next $750K of approved remediation costs
- Maximum credit = $525K
- Legislature added a $3M annual cap
Credits Disbursed 2015 - 2018

- 2015 - $2,301,200
- 2016 - $2,672,573
- 2017 - $1,864,184
- 2018 - $2,997,112 (projected)
- Value of associated capital improvements - $1,452,691,706
Data Collection and Reporting Considerations

- Data collection is necessary for program analysis and evaluation.
- Reporting requirements be designed to support evaluation/audit
- Ensure data availability and confidentiality
- Ensure data supports high quality analyses and program marketing