Q&A for Bill C-323,
An Act to amend the *Income Tax Act* (rehabilitation of historic property)

Q: What is the purpose of the bill?

A: Bill C-323 aims to preserve our cultural heritage through creating an incentive to rehabilitate heritage buildings, and build a foundation upon which the policy may be expanded. Preserving our heritage benefits all Canadians, and with Canada 150 fast approaching, it is appropriate to introduce this policy now.

Q: What does the Bill do?

A: The bill creates a 20% tax credit on eligible costs for rehabilitation work done to a building that is designated as a historic place. The bill also creates an accelerated Capital Cost Allowance for eligible capitalized costs incurred under the same conditions as the tax credit.

Q: What is a "historic place"?

A: A historic place is defined as a property on the Register of Historic Places, a list of designated properties that have significant historic value to Canada. The Register is maintained by Parks Canada.

Q: What is an "eligible cost"?

A: Eligible costs under the provisions of the bill are defined as costs that are construction, professional, insurance, development, site improvement, or otherwise prescribed costs. This explicitly excludes acquisition, cosmetic and furnishing costs.

Q: What is defined as "rehabilitation work"?

A: Rehabilitation work is defined as work that is done in accordance with the "Standards and Guidelines for the Conservation of Historic Places in Canada", and must be certified by a registered professional architect licensed to practice in Canada.

Q: Over what period of time may the tax credit be claimed?

A: Each certified project has 10 years over which it may have a tax credit claimed, or unused portion thereof carried forward.

Q: What is an accelerated Capital Cost Allowance?

A: An accelerated Capital Cost Allowance is a tax mechanism that permits the deduction of taxable capital expenditures (capitalized costs) in a regularized fashion. For the purposes of this bill, this means that costs which are capitalized in nature, are eligible for a 3 year, 25%, 50%, 25% per year deduction, so that after 3 years, the entire value of the capitalized costs have been deducted.

Q: Can a capitalized cost be claimed under both the tax credit and the accelerated Capital Cost Allowance regimes?

A: No. The taxable base will be reduced by the amount of the other policy, e.g. if the capitalized costs are claimed under the tax credit, only the remaining 80% of the capitalized costs will be eligible under the accelerated Capital Cost Allowance.

Q: Has this policy been tested for viability in Canada?

A: In the early 2000's, the government implemented a program called the "Commercial Heritage Properties Investment Fund". The program, whose end goal was to be converted into a tax credit such as the one this bill creates, on average doubled the market property values of historic properties, business revenue, and occupancy rates of the historic properties. These activities incentivized by the Fund generated significant GST and corporate tax revenues. The policy is considered viable in Canada.

Q: Has this policy been tested in other countries?

A: Many countries have heritage grants, programs, etc. The most similar policy to the one this bill advances is the tax credit program in the United States, which provides a 20% tax credit on costs related to the rehabilitation of designated historic buildings, and a 10% credit on non-designated building built before 1936. The program, implemented in 1976, is recognized as having been hugely successful, with over 41,000 projects certified. Furthermore, the program was found to have a net-positive impact on the treasury of +$5.0 billion over the present life of the program (1976-2015).