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HOUSE OF REPRESENTATIVES

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**PAT PROCTOR**

41ST DISTRICT  
LEAVENWORTH AND FORT LEAVENWORTH

February 11, 2022

Re: Support for House Bill 2569

Dear Mr. Chairman,

Thank you for the opportunity to testify before your committee in support of House Bill 2569.

The intent of this bill is to incentivize development in our rural historic downtowns. This bill increases the benefits for the existing historic tax credit program for development projects when they occur in rural municipalities. It also creates an alternative, streamlined historic tax credit for any structure 50 years or older and adds incentives for installing fire suppression systems in such buildings. Finally, it creates tax incentives for local banks to loan money to these projects

The current historic tax credit is 25 percent for restoration of existing contributing property buildings within National Park Service (NPS) historic districts, in service for 50 years or more, after those improvements are certified by the Kansas Historical Society. To encourage more investment in rural municipalities, this bill will amend the existing state historic tax credit program to provide additional tax incentives for investment in rural areas:

- For cities with a population less than 50,000 (about Manhattan or smaller), the credit would be increased to 30 percent
- For cities with a population less than 9,500 the credit would be increased to 40 percent

However, the current tax credit system is cumbersome, with a great deal of paperwork required to get certification from the Kansas Historical Society. Many small projects don't get done because the tax credit doesn't justify the cost of doing the paperwork. Additionally, this tax credit is only available for buildings in NPS historic districts. Historic buildings and homes outside these districts aren't eligible for this tax credit.

To address these issues, this bill would create an alternative 10 percent tax credit for maintenance or capital expenses associated with any improvement to a home or building in service for 50 years or longer. Credit claimed has a minimum of \$2,000, with a maximum of \$100,000. No certification or paperwork is required from the Historical Society, and the home or building does not have to be in an NPS Historic District. Developers who take this tax credit are ineligible for the existing State Historic Tax Credit program.

To incentivize the development of loft apartments and upstairs office space in our historic downtowns, this bill would also create an additional tax credit of 10 percent for installation of fire suppression for any building in service for 50 years or longer. The minimum credit is \$2,000. This would incentivize fire suppression installations exceeding \$20,000. As with the alternative 10 percent historic tax credit above, no certification or paperwork is required from the Historical Society, and the home or building does not have to be in an NPS Historic District.

Because the final cost of development of historic properties is often difficult to predict, our community banks are often reluctant to lend money to developers to do these projects. This bill incentivizes development of historic properties by providing a 75 percent special deduction for interest earned by banks on loans to capital improvements to buildings in service for 50 years or longer.

Ultimately, this bill, if enacted into law will spur investment in our historic downtowns, getting more historic houses and buildings revitalized and back into service.

Thank you for your time and attention. I look forward to answering your questions.

A handwritten signature in black ink, appearing to read 'Pat Proctor', with a stylized flourish at the end.

**Pat Proctor**  
State Representative  
House District 41