

Rep. Michael Turner
Brownfield Tax Credit Bill Proposal

Background

Brownfields are defined as abandoned or underutilized properties where expansion or redevelopment is complicated by environmental contamination. Examples include abandoned industrial and commercial properties, old gas stations and vacant warehouses. These properties are found in every state and every congressional district, and are particularly prevalent in our nation's cities. Estimates range from 500,000 to 1 million brownfields sites, covering roughly 400,000 acres. These sites are missed economic development opportunities.

Brownfields are a federally created problem. The comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund Act) made every past and present property owner fully responsible for all costs to remediate environmental problems once those problems are identified. The net result is that properties with suspected contamination are abandoned to avoid potential liability for high cleanup costs. Properties remain abandoned, and contamination lingers.

The Small Business Liability Relief and Brownfields Revitalization Act of 2002 provides some protection against liability but does not address the high redevelopment costs of brownfields sites. The act does not provide sufficient incentive for voluntary action, and so potentially valuable brownfield sites remain abandoned rather than contributing to economic revitalization and providing jobs.

Bill Summary

The proposed Brownfields Tax Credit Program would provide funding for demolition and environmental remediation costs through the familiar tax credit structure. Brownfield tax credits would generate capital toward project costs, stimulate private investment, and ensure that federal funds are used for targeted economic development goals.

Specifically the proposed Brownfields Tax Credit Program would provide \$1 billion in federal tax credits allocated to states according to population. The credit program would be administered by state development agencies, and would provide credits to brownfield redevelopment projects where the local government entity includes a census tract with poverty in excess of 20%. States would give preference to redevelopment projects based on the extent of contamination remediated, the poverty at the location of the project, the number of jobs created, the position of the property within the central business district and the owner's financial commitment for redevelopment. The credits would be awarded based on a remediation plan approved by the state development agency. Other criteria would be determined by the states which administer the program.

Brownfields tax credits would be allocated for up to 50% of demolition and remediation costs pursuant to an approved remediation plan. These credits would be transferable and could be sold to third parties such as banks. The proceeds of the sale would be non-

taxable. The remainder of cleanup costs would be deductible/depreciable by the property owner, and the plan also includes incentives for original polluters to participate in redevelopment. Therefore, potentially responsible parties that contribute no less than 25% of remediation costs receive liability release for 100% of approved remediation plan demolition and remediation costs. The remaining 25% of remediation costs could be paid by either the property owner or other state or local government entities.

This Brownfields Tax Credit Program is a powerful incentive for cities, developers and parties facing brownfields liability to transform those sites into job producing economic development. It benefits not only brownfield property owners facing liability but also banks, financial institutions and businesses who could receive the tax credits; developers; manufacturers; urban residents and businesses; minority groups; cities and states and environmental organizations. It spurs private sector economic development, grows private investment, and returns valuable land to productive use by creating opportunities for housing, businesses and other uses. Jobs are created, increasing the tax base, and environmental hazards are remediated.