

National Park Service
U.S. Department of the Interior

Technical Preservation Services



Historic Tax Credits 101:

An Introduction to the Federal
Historic Preservation Tax
Incentives Program

Historic Tax Credits 101



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Federal Tax Incentives

10% Tax credit for the rehabilitation of older non-historic buildings

20% Tax credit for the "certified rehabilitation" of "certified historic structures"

Easements

Donation of specified property rights to protect a historic structure or site in exchange for tax benefits

10% Non-historic Rehabilitation Tax Credit



Busy Bee Café, Raleigh, NC

- Pre- 1936 construction
- Non-historic
- “Substantial”
- Residential use disqualified
- Wall test

Easements to Protect Historic Properties: A Useful Historic Preservation Tool with Potential Tax Benefits

<http://www.nps.gov/tps/tax-incentives/taxdocs/easements-historic-properties.pdf>

National Park Service
Historic Preservation Service
2010

Background



In 1976 Congress created federal tax incentives to promote historic preservation and community revitalization.

20% Credit since 1976:
\$73 Billion invested
40,300+ projects

Federal Rehabilitation Tax Credit

Rehabilitation is "...the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historic character."



What is a tax credit?

- A tax credit is a dollar-for-dollar reduction in the amount of taxes you owe
- The credit = 20% of qualifying rehabilitation costs



Program Administrators



National Park Service
Department of the Interior



State Historic
Preservation Offices
(SHPO)



Internal Revenue Service

Rehabilitation Tax Credit Basics

Three questions determine if a project is eligible:

1. Does the property contain a historic building?
2. Will the rehabilitation be substantial?
3. Will it be used for an income-producing purpose?



Project Eligibility: "certified historic structure"

Does the property contain a historic building?

Historic – listed in the National Register of Historic Places or within a certified local historic district

Building – as defined by Dept. of Treasury regulations, "any structure or edifice enclosing a space within its walls, and usually covered by a roof, the purpose of which is, to provide shelter or housing, or to provide working, office, parking, display, or sales space."



Project Eligibility

Will the rehabilitation be substantial?

The cost of the project must exceed the greater of \$5,000 or the property's adjusted basis used for tax purposes.

A - B - C + D = adjusted basis

- A= purchase price of the property
- B= value of the land at the time of purchase
- C= depreciated taken for tax purposes
- D= cost of capital improvements

Adjusted Basis

Mr. Smith has owned his property for 15 years
Purchased for \$150,000
of that, \$40,000 was attributed to land
In the past 15 years the property has been depreciated for tax purposes a total of \$60,000
Improvements have cost \$8,000

$$150,000 - 40,000 - 60,000 + 8,000 = 58,000 \text{ (adjusted basis)}$$

Mr. Smith must spend at least **\$58,000** on the rehabilitation to qualify for the tax credits.

Project Eligibility

Will it be used for an income-producing purpose?

The property must be used for an income producing purpose- it cannot be your personal residence.

- Some acceptable uses include: commercial, industrial, agricultural, rental residential

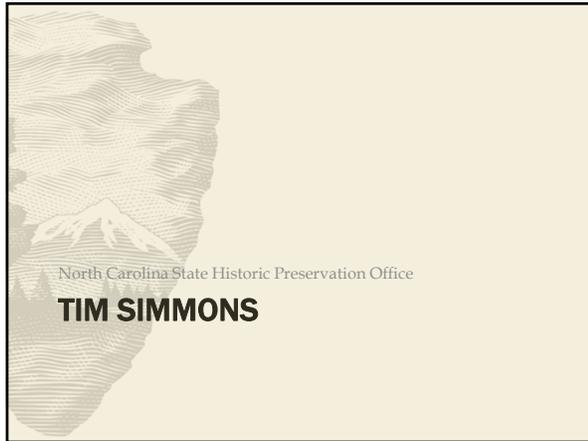


“certified rehabilitation”



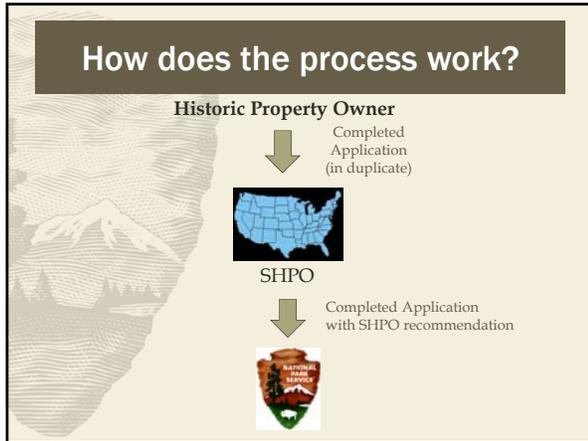
Secretary of the Interior's Standards for Rehabilitation

- Apply to all properties; no matter the building type, age, size, use, or material
- Apply to exteriors AND interiors
- Apply to the building site and environment, landscape, attached and adjacent new construction
- All 10 Standards must be met to receive certification



Does this meet the Standards?





- ### Submission Requirements
- Everything must be in duplicate
 - Forms, photographs, plans, maps, etc.
 - The 3 parts must be submitted in order
 - All material is submitted to the SHPO first
 - Cover sheets must exactly match the most recent published version

- ### Timing of Review
- Both the SHPO and NPS have a 30-day review limit
 - Projects will be put on hold if all the necessary information is not included- this lengthens the review process
 - Fees associated with Parts 2 and 3 review, must be paid before review can begin

Becoming a Certified Project

Complete a 3-part application

- Part 1 - Evaluation of Significance
- Part 2 - Description of Proposed Rehabilitation
- Part 3 - Request for Certification of Completed Work

Part 1 - Evaluation of Significance

Owner requests determination by NPS that a property contains a "certified historic structure"

- Contributes to the significance of a National Register or certified local historic district
- Listed individually in the National Register (if only one building exists on property, then Part 1 may be omitted.)
- Preliminary determination of eligibility



Part 1 - Evaluation of Significance

Non-historic coverings must be removed.



Part 1 - Evaluation of Significance

Properties with multiple functionally-related buildings are considered a single property for review purposes



Part 1 - Evaluation of Significance

An historic property can receive only one certification. Portions of buildings - such as condos - cannot be certified. Applies to Parts 1, 2, and 3.



Item	Yes	No	Partial	Not Applicable
1. Is the property a contributing structure to the historic district?				
2. Is the property a contributing structure to the historic district?				
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50. Is the property a contributing structure to the historic district?				

Part 1: Submission

Applicant must submit:

- description of physical appearance
- Statement of significance
- Photographs of property (exterior & interior)
- Historic district map and site plan

SAMPLE HISTORIC PRESERVATION CERTIFICATION APPLICATION - PART 1

Property Name: _____

Address: _____

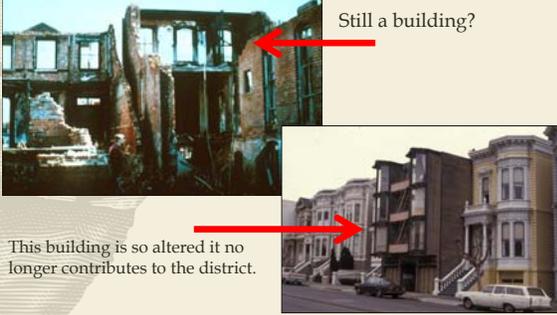
City: _____ State: _____ Zip: _____

Date of Construction: _____

Statement of significance: _____

Example of a Part 1 application

Part 1: Does the Building Contribute?



Still a building?

This building is so altered it no longer contributes to the district.

Part 2 - Description of Rehabilitation

- Applicant describes condition of property prior to rehabilitation and proposed work
- Every major building feature should be described
- Photographs document ALL areas of property - even where no work is planned
- Floor plans and elevation drawings should reflect existing condition and proposed work
- Proposed work is evaluated based upon the *Secretary of the Interior's Standards for Rehabilitation*

Part 2 - Description of Rehabilitation



- Exterior**
 - ✓ Windows
 - ✓ Changes to primary elevations (including storefronts)
- Interior**
 - ✓ Plans & corridors
 - ✓ Features & finishes
 - ✓ Large spaces
 - ✓ HVAC
- New construction**
 - ✓ New additions, construction
 - ✓ Rooftop additions

Keys to a Successful Project

- Contact the SHPO **EARLY** in the planning process for advice on rehabilitation treatments
- Submit **COMPLETE** application to SHPO well **BEFORE** beginning work
- Take **GOOD, CLEAR** photos of entire building and site **BEFORE** work begins
- Submit Part 2 describing **FULL** scope of work
- **DO NOT** begin work until NPS approves Part 2 application

Stay on track...

- Modify Part 2 scope of work in accordance with SHPO and NPS guidance and conditions
- Submit project amendments for review and approval before proceeding with that work
- Do not assume that local approval = certification of rehabilitation for tax credits



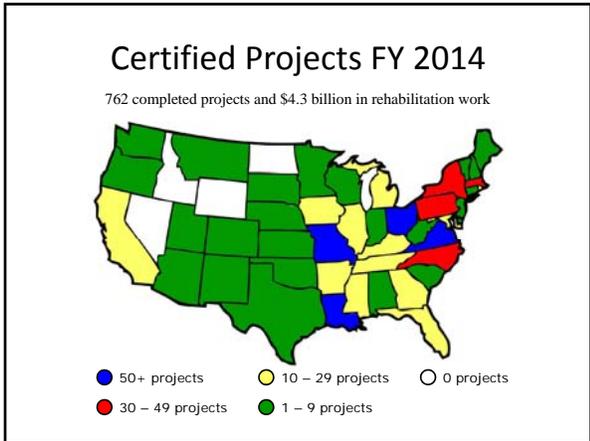
Leading Causes of Denials

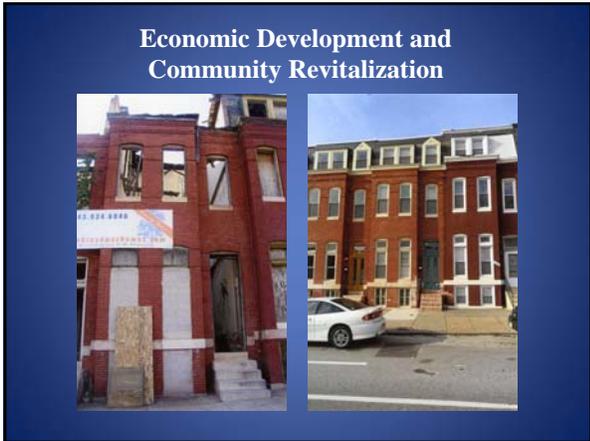
- Insufficient pre-rehab photographic documentation
- Completing work that does not meet the Standards before contacting the SHPO or beginning the application process
- Program that is too intense for building and site
- Substantial interior demolition



Work on this three-story building was completed before the tax credit application was approved. The 1 1/2 story rooftop addition causes the project to fail to meet the Standards.











Kresge Building
Sioux Falls, SD
\$2,000,042
Commercial and
Office use





Waco High School
Waco, Texas
\$9.22 million





Park Inn Hotel and City National Bank
Mason City, Iowa
\$18 million

50% to 60% of projects are under \$1 million in cost



Covington, KY - \$325,000



Salisbury, NC - \$288,000



Grand Rapids, MI - \$200,000

www.nps.gov/tps

Technical Preservation Services

Preserving our nation's historic buildings.

Technical Preservation Services develops historic preservation policy and guidance on preserving and rehabilitating historic buildings, administers the Federal Historic Preservation Tax Incentives Program for rehabilitating historic buildings, and sets the Secretary of the Interior's Standards for the Treatment of Historic Properties.

Latest Headlines

Just published - the Federal Historic Tax Credit Program Annual Report and Statistical Reports for fiscal year 2014, highlighting 1,100 proposed rehabilitation projects and \$3.98 billion in rehabilitation work. [Read more news...](#)

Former Service Station "Pumped Up" for Special Events

PARK

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Questions?

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Find your SHPO:
www.ncshpo.org
