

Federal and State Historic Preservation Tax Credits



Brief Overview

Prepared for the Laurel Downtown
Development District Workshop
September 26, 2017

Purpose of the Tax Credit Programs

- To encourage preservation of historic buildings
- To reward private investment in rehabilitation and make such projects more economically viable
- To promote reinvestment in existing communities and for Delaware tax credits, provide additional incentives for owners of property in Downtown Development Districts



Benefit of the Program

- Offers a tax credit equal to a percentage of the rehabilitation costs for a **Certified Rehabilitation** of a **Certified Historic Property**
- Requires **Substantial Rehabilitation** of depreciable properties, less of other owners



Federal Rehabilitation Tax Credit

This Program was first enacted in 1976.

- 20% return on investment for income-producing (depreciable) buildings in the form of a tax credit against federal income tax liability
- Requirement for project costs to exceed adjusted basis
- Allows for capital expenses beyond construction costs to be included in the qualified costs
- Amount of tax credits available are not limited
- Note: There is 10% credit for non-historic, non-residential buildings built before 1936

DE Preservation Tax Credits

Program was initiated in 2001 and will sunset in 2020.

- 20% credit for income-producing (depreciable) buildings
- 30% credit for owner-occupied, residential buildings
- 30% credit for income-producing buildings committed to low-income housing
- Cap of \$6.5 million per year
- Each year, \$1.5 million is set-aside for projects in DDDs
- Tax credits applied against state income or franchise tax liability
- These are tax credits, not a deduction and are transferable (may be sold to anyone)

Eligible Participants



- Any individual, company, corporation or partnership, as well as certain lessees, who own/lease an eligible property held for income can elect to seek these tax credits
- For Delaware tax credits, any homeowner, non-profit organization or church can apply as Delaware's tax credits are transferable

Eligible Properties

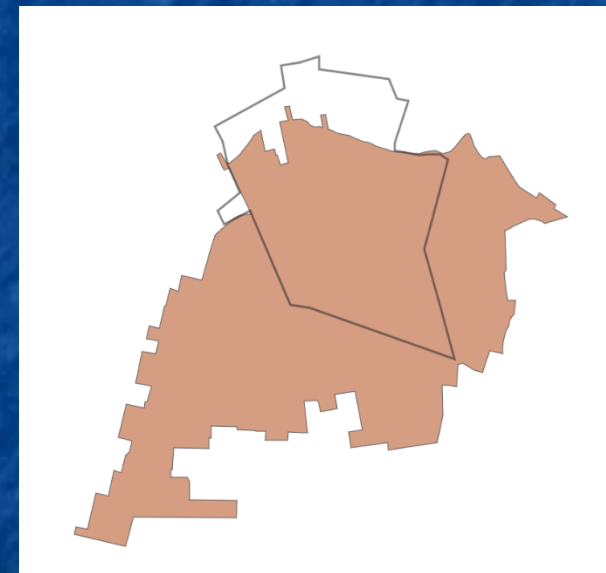
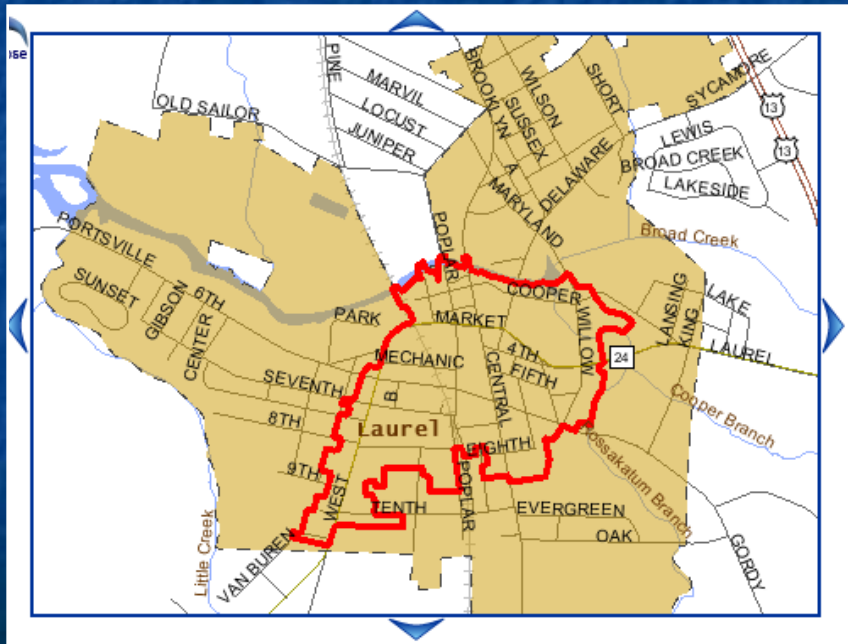
Must be a **Certified Historic Property**:

- Individually listed in the National Register of Historic Places (NR); or
- Located in a NR listed historic district and certified as contributing to the significance of that district
- For federal program, the recipient of the tax credits must hold the property for five years



Eligible Properties in Laurel

- Laurel's National Register Historic District is indicated in red



Intersection of Laurel DDD
with Laurel Historic District

Eligible Projects

Must be a **Certified Rehabilitation**:

- Rehabilitated in accordance with Program guidance, which follows the *Secretary of the Interior's Standards for Rehabilitation*
- If a federal application, expenditures must be "qualified" and meet the IRS definition of being "substantial"
- Applicants who qualify for only Delaware's program, such as homeowners or non-profits must meet certain minimum expenditures



Standards for Rehabilitation

- Ten basic principles created by the National Park Service to help preserve the historic character of a building while allowing for reasonable change to meet new needs.
- Owners use the Standards as guidelines in carrying out the rehabilitation
- Federal and state reviewers use them to guide their review of the application and certify the work.



Tax Credit Application

- Part 1 – Certification of Historic Property
- Part 2 – Certification of Rehabilitation
- Part 3 – Certification of Completion
- Request for Credit Award (State only)
- Both federal and state applications are reviewed by the DE Division of Historical and Cultural Affairs; final approval of the federal application is by the National Park Service

Application Info:
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Is Help Available to Applicants?

Division of Historical and Cultural Affairs State Tax Credit Program Coordinator . . .



- Advice on how to define the character of your home
- Advice in determining project work that will be consistent with the Standards
- Guidance on appropriate rehabilitation treatments
- Assistance in completing the Historic Preservation Tax Credit Application
- Information on the financial aspects of the Program

Web-based Rehabilitation Guidance

- A Checklist for Rehabilitating Historic Buildings
<http://www.cr.nps.gov/hps/tps/cheklist.htm>
- Illustrated Guidelines for Rehabilitating Historic Buildings
<http://www.cr.nps.gov/hps/tps/tax/rhb/index.htm>
- Rehab Yes/No Learning Program
<http://www.cr.nps.gov/hps/rehabyes-no/index.htm>
- Electronic Rehab: An Interactive Web Class
<http://www.cr.nps.gov/hps/tps/e-rehab/index.htm>
- From the Roof Down and Skin Deep
<http://www.cr.nps.gov/hps/tps/roofdown/index.htm>
- Preservation Briefs
<http://www.cr.nps.gov/hps/tps/briefs/presbhom.htm>
- Historic Preservation Tax Credit Program Guidance and Forms
<http://history.delaware.gov/preservation/taxcredit.shtml>

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