

Historic Rehabilitation Tax Credits



Overview

- Two programs, similar requirements
- *Tax credit, not deduction*
- 20% of Qualified Rehabilitation Expenses
- Residential or income-producing buildings
- Must be listed on the National Register of Historic Places (NRHP) or contributing to an NRHP-listed Historic District.
- Work must follow the *Secretary of the Interior's Standards for Rehabilitation (Standards)*
- “Syndication” is a process that allows investors to make use of the credits in exchange for up front capital.

What is a Tax Credit?

-Dollar for dollar reduction of your annual tax liability

-Non-refundable – can only claim up to your annual tax liability per year

-5 or 20 year carryforward

I.E.:

Applicant's annual tax liability: \$5,000

Applicant's awarded tax credit: \$4,000

Net tax liability for the year: $\$5k - \$4k = \$1k$

I.E.:

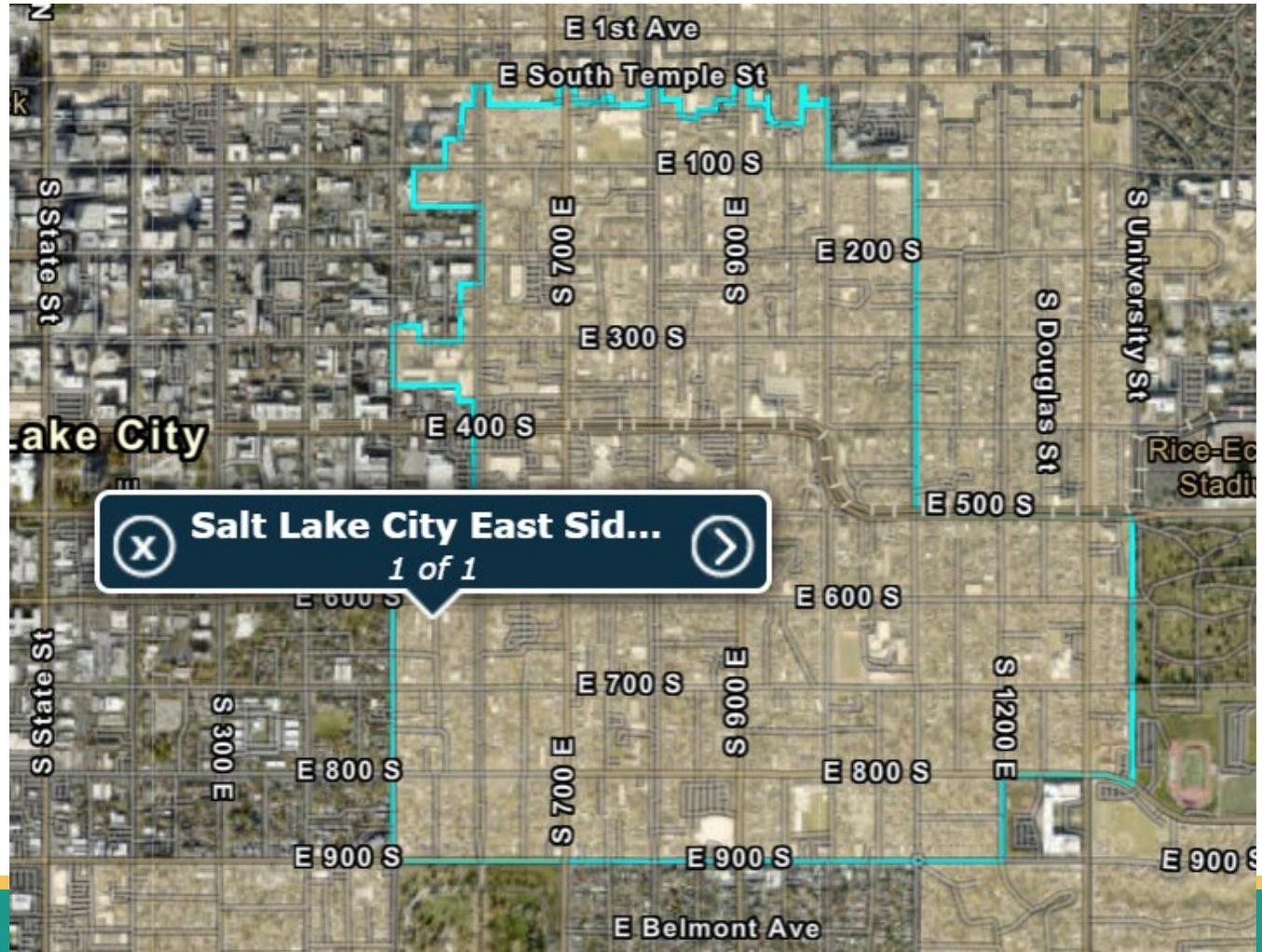
Applicant's annual tax liability: \$5,000

Applicant's awarded tax credit: \$6,000

Net tax liability for the year: $\$5k - \$5k = \$0$ with \$1k left for the following year

Is my property eligible?

Salt Lake City East Side Historic District



Qualified Rehabilitation Expenses*

QUALIFIED EXPENSES

Walls/Partitions

Floors/Ceilings

Permanent coverings (i.e.: tile)

Window and door repair/upgrade

Roofs, chimneys, restore/replace porches

HVAC, plumbing, electrical

Stairs, escalators, elevators, fire protection systems

Soft costs: architect/engineering/construction fees

NON-QUALIFIED EXPENSES

Acquisition costs

Additions

Movable furnishings & appliances

Site Work

Landscaping

*QREs differ between the State and Federal Programs

State Credit

- Historic Residential Buildings
- Minimum \$10,000 expenditure
- Project must be completed within 3 years of project preapproval; no limit to subsequent \$10,000+ projects
- Work must follow the *Standards* for 3 years following the project
- Credit can be carried forward for up to 5 years if necessary



single family residence – before



single family residence – after



Commercial with residential units



Initiated – planning stages

Federal Credit

- Historic Income-Producing Buildings
- Must meet “substantial rehab test”
- Property ownership must be maintained and additional work must follow the *Standards* for 5 years following the project
- Credit must be claimed over a minimum of 5 years
- Credit may be rolled forward for an additional 16 years after that



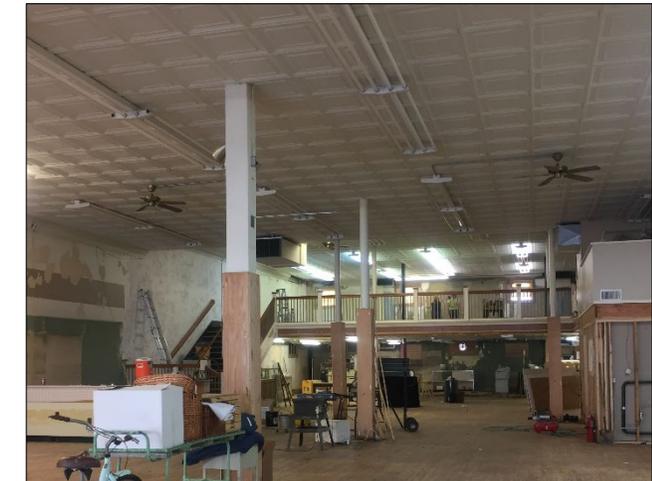
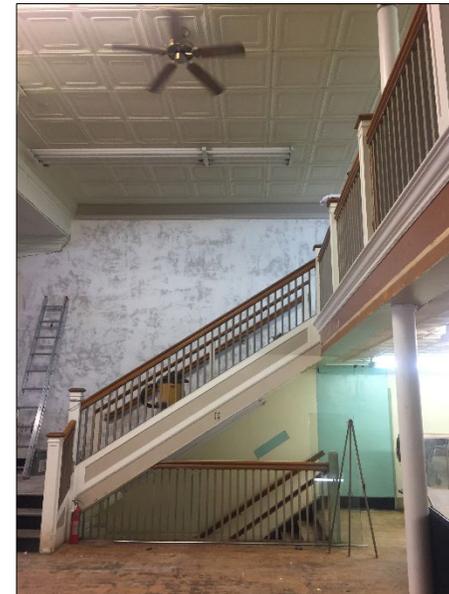
small business – before



small business – after



Commercial with residential rental (income-producing)



Initiated – planning stages

Substantial Rehab Test – Federal Program

- Qualified Rehabilitation Expenses must exceed the building's "adjusted basis" = the test
- Test must be met within a 2 year period of applicant's choosing
- A 5 year measuring period may be granted if:
 - A written set of architectural plans and specifications for all phases of the rehabilitation. (If the written plans outline and describe all phases of the rehabilitation, this will be accepted.)
 - The written plans must be completed before the physical work on the rehabilitation begins.
 - It can be reasonably expected that all phases of the rehabilitation will be completed.
- As long as the adjusted basis rehab test is met at the beginning of the measuring period, there is no limit as to how far back you can count rehabilitation expenses associated with the project when calculating your credit. You are not limited to counting costs that occurred during the measuring period.
- You may also count costs until the end of the year in which the measuring period ends.

Adjusted Basis Calculation

$A - B - C + D = \text{Adjusted Basis}$

- A = Purchase price of the property (building and land)
- B = Cost of the land at the time of purchase
- C = Depreciation taken for an income-producing property
- D = Cost of any capital improvements made since purchase

Program Differences

STATE TAX CREDIT

Residential

Cost must exceed \$10,000

3-year project period following Preapproval

Carry credit forward for up to 5 years

3-year compliance with the *Standards* following project

No ongoing ownership requirements

State Historic Preservation Office Approval

FEDERAL TAX CREDIT

Income-Producing

Substantial Rehab Test requirement

2 or 5-year measuring period

Must claim over minimum of 5 years

Can carry forward for an additional 16

5-year compliance with the *Standards* following project

5-year ownership requirement following project

National Park Service Approval

Application Process - State

- Before application (“Part 1 + 2”): before documentation + work plan
- After application (“Part 3”): after photographs



history.utah.gov/preservation/financial-incentives

Utah Historic Preservation Tax Credit Application

Owners of historic residential buildings may be able to recover 20% of their restoration costs through this state income tax credit program. To qualify for the credit:

- The building use after rehabilitation must be residential.
- The building must be listed on the National Register of Historic Places at the time of application or within three years of the approval of the completed rehabilitation project.
- A minimum of \$10,000 must be spent on rehabilitation over, at most, a three-year period.
- All work must meet appropriate rehabilitation standards; one “wrong” modification voids the entire tax credit.
- This application form must be completed before the rehab project is finished—preferably before work is started in order to avoid problems with ineligible work.

Submission Instructions

- Send a completed digital application to Amber Anderson at:
amberanderson@utah.gov
- Digital submissions are preferred. If you cannot submit digitally, you may submit a hard copy to: Amber Anderson, State History, 300 S. Rio Grande St, Salt Lake City, UT 84101

Part 1. Evaluation of Historical Significance

| | |
|--|-----------------------|
| Project name (Address, City) (if applicable) | |
| Original construction date | Known remodel date(s) |

This building (check one):

- is individually listed on the National Register of Historic Places (NRHP).
- is listed on the NRHP as part of the following Historic District;
- appears to meet NRHP eligibility requirements, but is not yet officially listed.

(Contact the State Historic Preservation Office for National Register status/historic significance: 801-245-7277 or amberanderson@utah.gov. If not yet listed, a National Register nomination form must be prepared before tax credits can be authorized or claimed.)

Application Process - Federal

- Part One: significance
- Part Two: before documentation + work plan
- Part Three: after photographs

NATIONAL PARK SERVICE
HISTORIC PRESERVATION CERTIFICATION APPLICATION
PART 1 - EVALUATION OF SIGNIFICANCE

NO. 1024-10409
Form 10-168
Rev. 2014

NPS Project Number

Instructions: This page must bear the applicant's original signature and must be dated. The National Park Service certification decision is based on the descriptions in this application form. In the event of any discrepancy between the application form and other supplementary material submitted with it (such as architectural plans, drawings and specifications), the application form takes precedence. A copy of this form will be provided to the Internal Revenue Service.

1. Property Name [REDACTED] Apartments

Street [REDACTED]

City Salt Lake City County Salt Lake State UT Zip 84102

Name of Historic District Salt Lake City Eastside Historic District

National Register district certified state or local district potential district

2. Nature of request (check only one box)

certification that the building contributes to the significance of the above-named historic district or National Register property for rehabilitation purposes.

certification that the building contributes to the significance of the above-named historic district for a charitable contribution for conservation purposes.

certification that the building does not contribute to the significance of the above-named district.

preliminary determination for individual listing in the National Register.

preliminary determination that a building located within a potential historic district contributes to the significance of the district.

preliminary determination that a building outside the period or area of significance contributes to the significance of the district.

3. Project Contact (if different from applicant)

Name [REDACTED] Company [REDACTED]

Street [REDACTED] City Salt Lake City State UT

Zip 84101 Telephone [REDACTED] Email Address [REDACTED]

4. Applicant

I hereby attest that the information I have provided is, to the best of my knowledge, correct. I further attest that [check one or both boxes, as applicable] (1) I am the owner of the above-described property within the meaning of "owner" set forth in 36 CFR § 67.2 (2011), and/or (2) I am not the fee simple owner of the above-described property, the fee simple owner is aware of the action I am taking relative to this application and has no objection, as noted in a written statement from the owner, a copy of which (i) either is attached to this application form and incorporated herein, or has been previously submitted, and (ii) meets the requirements of 36 CFR § 67.3(a)(1) (2011). For purposes of this attestation, the singular shall include the plural wherever appropriate. I understand that knowing and willful falsification of factual representations in this application may subject me to fines and imprisonment under 18 U.S.C. § 1001, which, under certain circumstances, provides for imprisonment of up to 8 years.

Name [REDACTED] Signature [REDACTED] Date 11/1/17

Applicant Entity [REDACTED] SSN [REDACTED] or TIN 82-1033012

Street [REDACTED] City Salt Lake City State UT

Zip 84101 Telephone [REDACTED] Email Address [REDACTED]

NPS Official Use Only

The National Park Service has reviewed the Historic Preservation Certification Application - Part 1 for the above-named property and has determined that the property:

contributes to the significance of the above-named district or National Register property and is a "certified historic structure" for rehabilitation purposes.

contributes to the significance of the above-named district and is a "certified historic structure" for a charitable contribution for conservation purposes.

does not contribute to the significance of the above-named district.

Preliminary Determinations:

appears to meet the National Register Criteria for Evaluation and will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer according to the procedures set forth in 36 CFR Part 60.

does not appear to meet the National Register Criteria for Evaluation and will likely not be listed in the National Register.

appears to contribute to the significance of a potential historic district, which will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer.

appears to contribute to the significance of a registered historic district if the period or area of significance as documented in the National Register nomination or district documentation or file with the NPS is expanded by the State Historic Preservation Officer.

does not appear to qualify as a certified historic structure.

Review Times

- State Tax Credit Only: up to 30 day review by State Historic Preservation Office (SHPO) per part
- Federal Tax Credit (Fed only OR State + Fed): up to 30 days for SHPO + 30 days for NPS per part

Example Project

- Mixed Use project on Main Street
 - Commercial ground floor (20%)
 - Residential rental upper floor (40%)
- Estimated project costs: \$315,000
 - Income-producing costs: \$315k
 - Residential costs: \$150k
- Total Estimated Tax Credits: \$93k



How to get started?

- Contact us (SHPO)!
- Thoroughly document the building BEFORE starting any work (photographs, drawings, etc.)
- Begin application process as EARLY AS POSSIBLE



Resources

PROGRAM WEBSITES

Home page for the *Secretary of the Interior's Standards*:
<https://www.nps.gov/orgs/1739/secretary-standards-treatment-historic-properties.htm>

Preservation by Topic:
<https://www.nps.gov/orgs/1739/preservation-by-topic.htm>

State Tax Credit home page:
<https://ushpo.utah.gov/shpo/financial-incentives/>

Federal Tax Credit home page:
<https://www.nps.gov/subjects/taxincentives/index.htm>

IRS Information: <https://www.nps.gov/tps/tax-incentives/before-apply/irs-information.htm>

FINANCIAL RESOURCES

National Trust Community Investment Corporation:
<https://ntcic.com/>

Novogradac (guidance + financial consulting):
<https://www.novoco.com/resource-centers/historic-tax-credits>

Heritage Consulting Group (special topics):
<https://heritage-consulting.com/news/>

BUILDING CODE

Building Code & Historic Buildings Webinar:
<https://www.youtube.com/watch?v=X9WZOehqRS0>

Contact

Amber Anderson

amberanderson@utah.gov

801-245-7277