

Federal Rehabilitation Tax Credit Program

Incentives:

- The 20% rehabilitation tax credit equals 20% of the amount spent in a *certified rehabilitation* of a *certified historic structure*.
- The 10% rehabilitation tax credit equals 10% of the amount spent to rehabilitate a *non-historic building* built before 1936.

Basic Eligibility:

There are **4 factors** that can help you decide whether your rehabilitation project proposal would meet the basic qualification requirements for the 20% tax credit.

1. The historic building must be listed, or eligible for listing, in the **National Register of Historic Places**, either individually or as a contributing building within a historic district. For information about properties within a Historic District:
<http://www.cr.nps.gov/hps/tps/tax/brochure2.htm#StandardsHistoricDistricts>
2. After rehabilitation, the historic building must be used for an income-producing purpose for at least five years. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit.
3. The project must meet the “substantial rehabilitation test.” The Internal Revenue Service defines “substantial” as exceeding the owner’s adjusted basis in the building, or \$5,000, whichever is greater. The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital. Generally, this test must be met within two years or within five years for a project completed in multiple phases. Before pursuing the project, confer with your accountant to determine if the project meets feasibility requirements before pursuing the project. Eligible expenses include any work that is chargeable to a building’s capital account in connection with a certified rehabilitation. This means that all work done to structural components of the building will be eligible, as well as certain soft costs such as architectural and engineering fees, construction period interest and taxes, construction management costs, historic consultant fees and reasonable developer fees.
4. The rehabilitation work must meet the *Secretary of the Interior’s Standards for Rehabilitation*. These are ten principles that, when followed, ensure the historic character of the building has been preserved in the rehabilitation. The Standards can be found at: <http://www.cr.nps.gov/hps/tps/tax/rehabstandards.htm>