

Historic Rehabilitation Tax Credits

Income Producing

The Rehabilitation Investment Tax Credit Program provides for a federal income tax credit and a West Virginia state income tax credit for the rehabilitation of historic, income producing properties. Under the provisions of the Tax Reform Act of 1986, a 20% federal tax credit (4% taken over 5 years for a total of 20%) is available for the substantial rehabilitation of commercial, agricultural, industrial or rental residential buildings that are certified as historic. The credit is applied directly against taxes owed by the owner. There is a similar 25% state income tax credit available to owners. The total credit on a qualified project is 45% of approved rehabilitation costs.

Qualifying Provisions

To qualify for the Rehabilitation Investment Tax Credit, the project must meet the following:

1. The property must be a certified historic building. To be certified a building must be individually listed on the National Register of Historic Places or must be eligible to be individually listed or it must be a contributing building in an historic district that is listed on the National Register of Historic Places or eligible to be listed.
2. The building must be a depreciable structure used for an incoming producing purpose including but not limited to commercial, industrial, agricultural, rental residential or bed and breakfast.
3. The rehabilitation must be carried out in accordance with the [Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings](#). The National Park Service (NPS), based on advice and recommendations offered by the West Virginia State Historic Preservation Office (SHPO), determines if the rehabilitation work meets the standards.
4. The project must meet the substantial rehabilitation test. The owner must spend more than \$5,000 or an amount greater than the adjusted basis in the building (whichever is larger), on the approved rehabilitation project. The adjusted basis is the depreciated value of the building, not including land value, when the project starts.

Application Procedure

In order to obtain the Rehabilitation Tax Credit the owner must file an application with the State Historic Preservation Office. The application should be filed prior to the beginning of construction, although applications are accepted until the project is complete. Commencing work prior to submission of the application puts the owner at risk of violating the Standards and not receiving the credit.

1. The owner should undertake a rough initial calculation to determine if the proposed rehabilitation will meet the substantial rehabilitation test.
2. The owner should contact the SHPO to determine if the building qualifies as a certified historic structure.
3. The owner should obtain the appropriate application form, guidelines and instructions from the SHPO. A site visit by SHPO staff will often be arranged.
4. A completed application should be submitted to the SHPO for review and transmission to the National Park Service. The completed application must be submitted in duplicate. TWO copies of all supporting documentation such as maps, photographs, plans and specifications must be included with the application. SHPO staff will be happy to review preliminary or draft applications, which need not be submitted in duplicate.
5. The completed application will be reviewed by SHPO staff and forwarded to the NPS.
6. When the project is complete the owner must file with the SHPO, in duplicate, an Historic Preservation Certification Application Request for Certification of Completed Work.
7. After approval of the application by the NPS, the owner will receive written notification that must be filed with the IRS with the tax return.

Notes and Cautions

- . The Rehabilitation tax credit is available to a long term lessee as well as an owner.
- . An owner claiming the credit must retain ownership of the property for five years or the credit is subject to recapture.
- . The rehabilitation tax credit is subject to the adjustment-to-basis rule.
- . The substantial rehabilitation expenditure test must be met within a 24 month test period unless the owner declares, prior to commencement of the project, that the it will be a phased project in which case the test period is extended to 60 months.
- . The allowable costs for the rehabilitation tax credit are any costs properly chargeable to a capital account including interior work, plumbing, electrical, mechanical systems, roof work and some soft costs.
- . The National Park Service and State Historic Preservation Office do charge a review fee to review applications.
- . Approval of a rehabilitation project by any other group, organization or governmental agency does not insure approval by the SHPO or NPS. Main Street Organizations, Historic Landmarks Commissions, Preservation Consultants, Architects and others may provide advice and assistance

but approval for the credits rests solely with the National Park Service through the West Virginia State Historic Preservation Office.

CHECKLIST - COMMERCIAL TAX CREDIT

The following information should be submitted to the State Historic Preservation Office with each part of the application.

Part 1 ELIGIBILITY OF PROJECT / NATIONAL REGISTER LISTED

If the property is individually listed on the National Register, you must complete portions of this section.

____ Two (2) copies of the completed Part 1, with signatures.

____ Two (2) sets of photos depicting general view of exterior of building and any special interior features. Photos will be used to evaluate if building is eligible for listing on the National Register; or to ascertain that the building still reflects the historic character from time of listing.

____ *If the building is already listed on the National Register:* On the cover sheet provide the name of the individual property or the historic district where the building is located. Under description, state if the building appears the same as the time of listing, or if changes have occurred.

____ *If the building is not listed on the National Register,* contact the Historic Preservation Office.

Part 2 PLANNED REHABILITATION

____ Two (2) copies of completed tax application with signatures. Cover sheets should be on a blue form.

____ Two (2) sets of "before" photos of each planned construction activity; photo numbers should be tied to the numbered box on the form and to a floor plan.

____ Two (2) copies of any specifications or blueprints. (This may depend on the scale of the project.)

Part 3 COMPLETION OF PROJECT

____ Two (2) copies of completed form with signatures.

____ Two (2) sets of "after" photos of each planned construction activity listed on the application under Part 2. Also send good photographs of general changed appearance of project whether interior or exterior.

Mail to:

Tax Credit Coordinator
State Historic Preservation Office
1900 Kanawha Blvd East,
Charleston, WV 25305-0300

Questions? Please call 304/558-0240

The program receives Federal funds from the National Park Service. Regulations of the U. S. Department of Interior strictly prohibit unlawful discrimination in departmental Federally Assisted Programs on the basis of race, color, national origin, age or handicap. Any person who believes he or she has been discriminated against in any program, activity or facility operated by a recipient of federal Assistance should write to: Office of Equal Opportunity, National Park Service, 1849 C Street, NW, Washington, D. C. 20240.