

# ARKANSAS HISTORIC REHABILITATION

*State Income  
Tax Credit  
Program*



## ARKANSAS HISTORIC PRESERVATION PROGRAM

*An agency of the Department of Arkansas Heritage*

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## *Arkansans can now claim a portion*

of their investment in historic properties as a credit on their state income taxes. This program, administered by the Arkansas Historic Preservation Program (AHPP), encourages the rehabilitation of historic properties and fosters revitalization efforts in Arkansas's historic downtowns and residential neighborhoods.

### **What is a tax credit?**

A tax credit is the authorized amount that may be applied against Arkansas corporate income tax or premium tax, whether earned by an individual, partnership, limited liability company, an S corporation, or a corporation.

### **What structures are eligible?**

Properties that are individually listed on the National Register of Historic Places or are listed as "contributing" within a National Register historic district are eligible. Properties that will become eligible for listing following rehabilitation will also be considered.

### **What property owners are eligible?**

Any individual or firm who pays personal or corporate income tax in Arkansas is eligible. Persons or firms without sufficient tax liability to take advantage of the credits they earn are allowed to sell their credits to another taxpayer. The state tax credits are fully transferable.

### **What kind of work is eligible?**

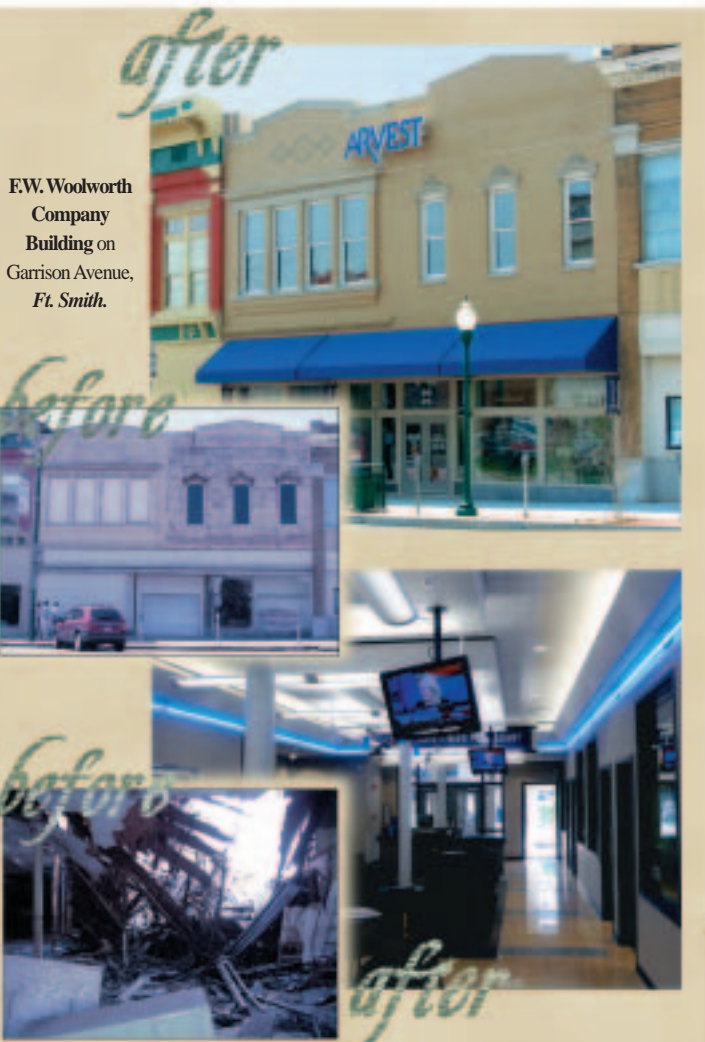
The AHPP uses the U.S. Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings



to determine what kinds of improvements or alterations to historic buildings are appropriate and eligible for credits. These ten broad, common-sense principles of preservation guide property owners around the country in projects that accommodate new uses and revitalization while retaining the overall historic character of their buildings. The standards are listed in the back of this brochure.

## How much are the tax credits worth?

Twenty-five percent of the pre-approved rehabilitation expenses on a historic building may be claimed as a state tax credit. Owners of income-producing properties (commercial, office, rental residential, etc.) may claim up to \$125,000 per project. Property



F.W. Woolworth  
Company  
Building on  
Garrison Avenue,  
Ft. Smith.



owners may claim up to \$25,000 per project for work on their private residences. In either case, an owner must invest a minimum of \$25,000 to claim any credits.

## Which projects will be awarded credits?

State law allows the AHPP to award up to \$4 million in tax credits per year. In addition to meeting eligibility requirements, projects must address one of the program's community/economic development goals listed below. In order of priority, projects receiving state tax credits must contribute to the:

1. Creation of a new business
2. Expansion of an existing business
3. Establishment of a tourist attraction
4. Revitalization of a business district
5. Revitalization of a neighborhood.

## Can a project also take advantage of the Federal Rehabilitation Tax Credits?

The federal government has its own tax credit program for historic rehabilitation, with its own rules. It is very similar to Arkansas's tax credit in some ways, but there are some differences in project eligibility. (For example, the federal tax credits are available only for work on income-producing properties.) However, projects that meet the requirements for both programs may be eligible for both credits. Application requirements are similar and in some cases may require only one set of forms and photographs. In any event, the AHPP encourages the applicant to talk to a tax professional before pursuing any tax credits.

## What is required in a project application?

The state tax credit application and certification process is a three part process. Part 1 - certification that the property is a certified historic property; Part 2 - photo documentation and proposed plans for the project; and Part 3 - the documented results of the completed project.

## Are there any costs associated with the application process?

Yes. The fee for review of a proposed rehabilitation project (Part 2) is \$50. This initial review fee is non-refundable. The fee for review of a completed rehabilitation project (Part 3) for a non-income-producing property is one hundred fifty dollars (\$150).

The fee for review of a completed rehabilitation project (Part 3) for an income-producing property is based on the dollar amount of the costs attributed solely to the qualified rehabilitation expenses on the eligible structure, in accordance with the schedule below.

<u>Fee</u>	<u>Size of Rehabilitation</u>
\$150	\$25,000 to \$99,999
\$400	\$100,000 or more



Renovated residence on Marshall Street,  
Little Rock.



Quapaw Bathhouse  
on Central Avenue,  
Hot Springs  
National Park.

The initial fee of \$50 will be deducted from these fees. The balance is to be paid by the applicant upon submission of the Part 3 application. No Certificate of Completion will be issued until the balance due has been paid. The fee for perfecting the transfer of an unused tax credit, in whole or in part, is seventy-five hundredths percent (0.75%) of the amount of tax credit to be transferred.

## Where can I learn more about tax credits?

It is strongly recommended that any interested property owners contact the Arkansas Historic Preservation Program for application materials before beginning a historic rehabilitation project. Contact us at: [info@arkansaspreservation.org](mailto:info@arkansaspreservation.org), call (501) 324-9880 or, write us at **Arkansas Historic Preservation Program**, 1500 Tower Building, 323 Center Street, Little Rock, AR 72201.



# SECRETARY OF THE INTERIOR'S STANDARDS

Rehabilitation is defined as the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features that convey its historical, cultural, or architectural values. When repair and replacement of deteriorated features are necessary; when alterations or additions to the property are planned for a new or continued use; and when its depiction at a particular period of time is not appropriate, rehabilitation may be considered as a treatment. The following standards are to be applied to specific rehabilitation projects in a reasonable manner, taking into consideration economic and technical feasibility.

## Secretary of the Interior's Standards for Rehabilitation

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.



Renovated duplex on  
South Park Street, *Little Rock*.



3. Each property shall be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.

4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.

5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.

6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.

7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.

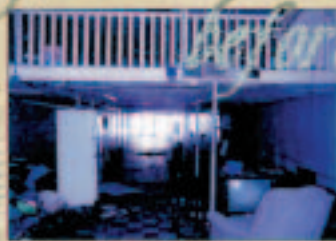
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.

9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be comparable with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment, but must not give the impression of being historic.

10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.



McPherson Building  
on Main Street,  
North Little Rock.



The descriptions contained in this brochure are provided for general informational purposes only and should not be construed as tax advice. Anyone interested in pursuing the rehabilitation tax credit should consult a tax attorney or a Certified Public Accountant for guidance.

For more information on the rehabilitation tax credit program, contact the **Arkansas Historic Preservation Program**, 1500 Tower Building, 323 Center Street, Little Rock, AR 72201; phone (501) 324-9880, FAX (501) 324-9184, TDD (501) 324-9811; or send e-mail to [info@arkansaspreservation.org](mailto:info@arkansaspreservation.org).



The Department of  
**Arkansas Heritage**

*The Arkansas Historic Preservation Program is the agency of the Department of Arkansas Heritage responsible for identifying, evaluating, registering and preserving the state's cultural resources. Other agencies are the Arkansas Arts Council, the Mosaic Templars Cultural Center, the Delta Cultural Center in Helena, the Old State House Museum, the Arkansas Natural Heritage Commission and the Historic Arkansas Museum.*