INDIANA DEPARTMENT OF REVENUE

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INFORMATION BULLETIN #87
INCOME TAX
JULY 2019
(Replaces Information Bulletin #87 dated July 2014)
Effective Date: Upon Publication

SUBJECT: Historic Building Rehabilitation Tax Credit

REFERENCE: IC 6-3.1-16

SUMMARY OF CHANGES
Other than nonsubstantive changes, this bulletin is updated to reflect that no expenditures made after June 30, 2016, or in a taxable year beginning after December 31, 2015, are eligible for certification. However, previously-granted credits are eligible for carryforward.

INTRODUCTION

An income tax credit is available for the rehabilitation of historic property. The credit can be applied against the adjusted gross income tax.

Qualified Taxpayers

The entities that can qualify for the credit include an individual, a corporation, an S corporation, a partnership, a limited liability company, a limited liability partnership, a nonprofit organization, and a joint venture. If a pass-through entity is entitled to a credit but does not have state tax liability against which the credit may be applied, a shareholder, partner, or member of the pass-through entity is entitled to a credit equal to the tax credit determined for the pass-through entity for the taxable year multiplied by the percentage of the pass-through entity's distributive income to which the shareholder, partner, or member is entitled.

Qualified Expenditures

"Qualified expenditures" means expenditures for preservation or rehabilitation that are chargeable to a capital account. The term does not include costs that are incurred to do any of the following:

1. Acquire a property or an interest in a property.
2. Pay taxes due on a property.
3. Enlarge an existing structure.
4. Pay realtor's fees associated with a structure or property.
5. Pay paving and landscaping costs.
6. Pay sales and marketing costs.

Qualification for the Tax Credit

A taxpayer qualifies for the credit if all the following conditions are met:

1. The historic property is located in Indiana, is at least 50 years old, and is owned by the taxpayer.
2. The Office of Community and Rural Affairs (OCRA) with the assistance of the Division of Historic Preservation and Archaeology of the Department of Natural Resources certifies that the historic property is listed in the register of Indiana historic sites and historic structures.
3. The OCRA certifies that the taxpayer submitted a proposed preservation or renovation plan to the OCRA that complies with the standards of the OCRA.
4. The OCRA certifies that the preservation or rehabilitation work substantially complies with the proposed plan mentioned above.
5. The preservation or rehabilitation work is completed in not more than two years or within five years if the preservation or rehabilitation plan indicated that the preservation or rehabilitation is initially planned for completion in phases.
6. The historic property is actively used in a trade or business, held for the production of income, or held for the rental or other use in the ordinary course of the taxpayer's trade or business.

Limitation of the Tax Credit

The qualified expenditures for the preservation or rehabilitation of the property must exceed $10,000. The tax credit is equal to 20% of the qualified expenditure the taxpayer makes for the preservation or rehabilitation of the property. The total amount of all credits for all taxpayers for a fiscal year is limited to $450,000. The OCRA will not approve any additional credits once the $450,000 limit is certified.

In addition, for expenditures made in a taxable year beginning after December 31, 2015, no amount is eligible for the credit. Further, the OCRA cannot certify a credit for any expenditures made after June 30, 2016.

Procedure to Claim the Credit

The taxpayer shall claim the credit on the taxpayer's annual state income tax return. The taxpayer shall submit to the department the certification approved by the OCRA.

If the taxpayer's credit exceeds the liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years and used as a credit in those taxable years. The credit may be carried forward and applied to succeeding taxable years for 15 taxable years. A taxpayer is not entitled to a carryback or refund of any unused credit.

Recapture of Credit Claimed

The historic building rehabilitation tax credit shall be recaptured from the taxpayer if:

1. The ownership of the property is transferred within five years of the completion of the certified preservation or rehabilitation work; or
2. Additional modifications to the property are undertaken that do not meet the standards of the historic preservation or rehabilitation within five years of the completion of the certified preservation or rehabilitation work.

If the recapture of a credit is required, an amount equal to the credit recaptured shall be added to the tax liability of the taxpayer for the taxable year during which the credit is recaptured.

Adam J. Krupp
Commissioner