

**Historic Preservation and Cultural and Entertainment District Tax Credit Program
Guidance Memorandum
on the
Preparation of Project Commencement, Project Completion Reports
and
50% Completion Reports for Project Extension**

The State of Iowa's Historic Preservation and Cultural and Entertainment District tax credit program has three separate reporting requirements involving the verification of qualified rehabilitation costs on the rehabilitation project:

1. **Project Commencement Report:** For all projects, rehabilitation must begin before the end of the state fiscal year in which the State Historic Preservation Office (SHPO) approved Part 2 of the application. The applicant must submit "a project commencement report and cover letter certifying the commencement date of rehabilitation and outlining expenditure of qualified rehabilitation costs." This documentation must be received no later than the first ten working days of the following state fiscal year. [See subrule 223—48.10(1) of the Iowa Administrative Code.]
2. **Project Completion Report:** As a component of the Part 3 application on projects over \$750,000, the applicant must submit a CPA statement "verifying that the expenses statement [in the Part 3] includes only qualified rehabilitation costs incurred" during the period of time allowed for the project. [See subrules 223—48.4(2) and 48.5(2) of the Iowa Administrative Code.]
3. **50% Completion Report for Project Extension:** When applying for an extension of 12 months past the original 60 months to place the building in service, the applicant must show 50% of the qualified rehabilitation costs estimated in the Part 2 have been expended. [See subrules 223—48.11(1) and 48.11(2) of the Iowa Administrative Code.]

This guidance memorandum and the Qualified Rehabilitation Cost (QRC) Schedule available online at www.iowahistory.org/historic-preservation are meant to facilitate these reporting requirements. If you have questions, please contact Beth Foster Hill, Tax Incentives Program Manager, at beth.foster@iowa.gov.

Project Commencement Report

Each applicant must submit a Project Commencement Report to SHPO within the first ten working days of the state fiscal year immediately following the state fiscal year in which SHPO approved Part 2 of the applicant's application [i.e., the first ten working days of the July following Part 2 approval]. For example, a project approved on October 15, 2011 must begin by June 30, 2012 and the Project Commencement Report must be submitted during the first ten working days in July 2012.

A Project Commencement Report consists of (1) a QRC Schedule outlining the qualified rehabilitation costs expended on or before June 30 and (2) a cover letter certifying the commencement date on which rehabilitation began.

The cover letter must have the original signature of the applicant and include the following statement:

This Project Commencement Report for [insert STC # and Project Name] is submitted to the State Historic Preservation Office in accordance with rule 223—48.10 of the Iowa Administrative Code. As the project applicant, I hereby certify that the commencement date on which project rehabilitation began was [insert month, day, year]. The attached Qualified Rehabilitation Cost Schedule specifically details all qualified rehabilitation costs expended on or before June 30, [insert year].

The QRC Schedule must indicate it is for a Project Commencement Report (check the appropriate box under "Report Type"). Enter the date on which Part 2 of the application was approved and the estimated total qualified rehabilitation costs for the project on the appropriate lines. Under "Specified Timeframe for QRC Schedule," applicants must insert a start date matching the date in the above-referenced statement and an end date of June 30 in the applicable year. Please check the appropriate box under "Project Type."

In the table on the QRC Schedule, the applicant must insert appropriate dollar amounts for the qualified rehabilitation costs expended prior to the close of business on June 30. In order for the Project Commencement Report to be approved, qualified rehabilitation costs must be shown in the column entitled "Qualified Cost." If the Project Commencement Report is not approved, or if it is not received in the first ten working days of July, SHPO shall recapture the tax credit reservation in accordance with rule 223—48.12. *We strongly encourage applicants to maintain all associated receipts, invoices, and bills for the purposes of the Project Completion Report and in the event of an audit.*

Please submit a paper copy of the Project Commencement Report to:

Beth Foster Hill, Tax Incentives Program Manager
State Historic Preservation Office
Iowa Department of Cultural Affairs
600 E. Locust Street
Des Moines, Iowa 50319-0290

Project Completion Report

For applicants with projects over \$750,000, the Project Completion Report is due concurrently with Part 3 of the application. A Project Completion Report consists of (1) a QRC Schedule outlining the qualified rehabilitation costs expended during the appropriate time period and (2) a CPA statement verifying the information on the QRC Schedule.

The QRC Schedule must indicate it is for a Project Completion Report (check the appropriate box under “Report Type”). Enter the date on which Part 2 of the application was approved, the estimated and final qualified rehabilitation costs for the project, and the date on which the building was placed in service, all on the appropriate lines. Please check the appropriate box under “Project Type.” Under “Specified Timeframe for the QRC Schedule”, the time period to be included for a Project Completion Report will vary depending on when SHPO approved Part 2 of the application (see subrule 223—48.5(2) of Iowa Administrative Code):

For projects for which Part 2 of the application was approved before July 1, 2009, the QRC Schedule outlines the qualified rehabilitation costs expended during the 2 years prior to the date on which a building is placed in service.

For projects for which Part 2 of the application was approved on or after July 1, 2009, the QRC Schedule outlines the qualified rehabilitation costs expended during the entire rehabilitation period.

For the CPA statement, we strongly recommend applicants enter into an Agreed-upon Procedures Engagement with a CPA that incorporates the following procedures:

The CPA shall inspect supporting documentation to verify the expenditures outlined in the QRC Schedule meet the definition of a Qualified Rehabilitation Cost as defined by Chapter 404A of the Iowa Code, subrule 223—48.4(1) of Iowa Administrative Code, and Section 47 of the Internal Revenue Code.

The CPA shall test expenditures outlined in the QRC Schedule were incurred during the appropriate time period.

The CPA shall verify the expenditures outlined in the QRC Schedule meet the cost basis defined by Chapter 404A of the Iowa Code and “Substantial Rehabilitation” as defined in rule 223—48.2 Iowa Administrative Code.

Applicants should expect to provide the following supporting documentation to the CPA:

A copy of Parts 2 and 3 of the application, including estimated and final qualified rehabilitation costs.

Completed QRC Schedule for project costs incurred during the specified time frame.

Invoices and other documents pertaining to the costs reported in the QRC Schedule.

Any other documentation as requested by the CPA.

Please submit the Project Completion Report in accordance with the instructions provided on the current state fiscal year’s Part 3 of the application. *We strongly encourage applicants to maintain all associated receipts, invoices, bills, and any other project documentation in the event of an audit.*

50% Completion Report for Project Extension

For those applicants requesting a 12 month extension of the time period for placing the building in service, use a completed QRC Schedule to show the expenditure of at least 50% of the qualified rehabilitation costs estimated in the Part 2 application. The request must include a cover letter with the applicant’s original signature and which includes the following statement:

This Project Extension Request for [insert STC # and Project Name] is submitted to the State Historic Preservation Office in accordance with rule 223—48.11 of the Iowa Administrative Code. As the project applicant, I hereby certify that the accompanying Qualified Rehabilitation Cost Schedule accurately documents the expenditure of 50% or more of the estimated qualified rehabilitation costs in the Part 2 application for this project and request a twelve month extension to the original sixty months from the date of the Part 2 approval to place the building in service. I understand that the new date for the building to be placed in service will be [insert Part 2 approval date plus one year].

Please note that this guidance memorandum was prepared in order to facilitate your compliance with these reporting requirements. By following this guidance, those reports will be provided in a standard format for our review. We appreciate your consideration and thank you for your continued interest in the State of Iowa’s Historic Preservation and Cultural and Entertainment District Tax Credit Program. **Please retain a copy of the QRC Schedule and any accompanying cover letters or documentation for your files.**