

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

Effective May 1, 2010, historic structure rehabilitation projects in Minnesota that qualify for the Federal Historic Preservation 20% Tax Credit also qualify for a Historic Structure Rehabilitation State Tax Credit equal to 100% of the federal tax credit. [Laws of Minnesota, 2010, Chapter 216, Sections 11 and 17] In order to be eligible for the Minnesota credit, **developers of a project must apply to the State Historic Preservation Office (SHPO) before the rehabilitation work begins.** The project must be certified by the National Park Service to receive the federal tax credit in order to qualify to receive the state tax credit. Applicants may elect to receive a grant in lieu of the credit equal to 90% of the federal tax credit.

The Minnesota Application is a two-part form that accompanies the federal tax credit application when it is sent to the SHPO for processing.

- Part A of the Minnesota Application is submitted with Part 2 of the federal application.
- Part B of the Minnesota Application is submitted with Part 3 of the federal application.

All Minnesota Historic Structure Rehabilitation Tax Credit forms are available on the SHPO website: <https://mn.gov/admin/shpo/incentives/state/>.

Neither the Part A nor the Part 2 will be reviewed until Part 1 of the federal application has been reviewed and sent to the National Park Service with a positive recommendation by SHPO. If the SHPO has substantive concerns that cannot be addressed by the applicant, neither the Part A nor the Part 2 will be reviewed until the Part 1 is approved by NPS. If a Part 1 is not required for the property (i.e., the property is individually listed in the National Register of Historic Places), the Part A and the Part 2 will be logged in upon receipt and processed for review. For instructions on how to complete the federal forms (Part 1, 2, and/or 3), go the National Park Service website: www.nps.gov/tps/tax-incentives.htm.

Minnesota Application Fees

Nonrefundable application fees are charged for Parts A and B of the Minnesota application. State applications received without the applicable Minnesota Application Fee will be placed on hold until the fee is received. The application fee structure is as follows:

Qualified Rehabilitation Expenditures (QREs)	Part A	Part B
Less than \$100,000	\$0	\$0
\$100,001 - \$500,000	\$250	\$250
\$500,001 - \$1,000,000	\$500	\$2,000
\$1,000,001 - \$2,500,000	\$1,000	\$4,000
\$2,500,001 - \$5,000,000	\$1,500	\$11,000
\$5,000,001 - \$7,000,000	\$2,000	\$23,000
Over \$7,000,000	\$2,000	\$33,000

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

Submit completed applications, along with a check payable to the SHPO/Department of Administration to:

State Historic Preservation Office
50 Sherburne Avenue, Suite 203
St. Paul, MN 55155

For questions about project eligibility, architectural review, or the application process:

Natascha Wiener
Historical Architect
651-201-3294
natascha.wiener@state.mn.us

Amy Spong
Deputy SHPO
651-201-3288
amy.spong@state.mn.us

For questions about the administration of the tax credit program by the MN Department of Revenue:

Corps, SCorps, and Partnerships:
Corporate Technical Advisor
651-556-3075
businessincome.tax@state.mn.us

Individuals:
Tax Policy Lead
651-296-3781
individual.incometax@state.mn.us

Insurance:
Insurance Unit
651-556-3024
insurance.taxes@state.mn.us

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

Completing Part A – Description of Rehabilitation

Part A of the Minnesota application must be submitted with Part 2 of the federal application. Submit just one copy of the Part A, along with the required attachments. Package the Part A separately from the Federal Part 2. Remember, you need to submit two copies of the Federal Part 2.

The SHPO will not issue an allocation certificate until the Part 2 and Amendments containing all phases of work have been approved by the National Park Service and the property has been listed in the National Register of Historic Places.

Be aware that information submitted to the SHPO is generally considered public. However, private information such as social security numbers and tax identification numbers will be redacted before being made available.

For SHPO Use Only

Do not fill out this box.

Historic Property

Enter the property's historic name, address, and county. If the property is part of a listed historic district, enter the name of the district on the final line of this section. If not, enter n/a. Properties listed on or eligible for the National Register of Historic Places will have historic names on record at the SHPO. Many properties located within historic districts will also have a historic name on file. If you would like to include a current or future name for the property, note it as such (e.g., "a.k.a. Riverside Apartments").

Developer

Enter the property Developer's name, address, telephone, and email. This should *match* the Applicant information on Part 2 of the federal application.

Owner

If the owner is not the Developer of the project, enter the owner's name, address, telephone, and email.

Project Contact

Enter the project contact's name, address, telephone, and email. This individual will be SHPO's primary point of contact on the project and is responsible for informing other project team members about the status of the review process.

Attachments

Qualified Rehabilitation Expenditures (QRE) Schedule: attach a QRE Schedule with expected expenses and the pre-rehabilitation adjusted basis for the project. The QRE Schedule and instructions are available online at: <https://mn.gov/admin/shpo/incentives/state/>. Fill out the information on the Part A tab. This is an estimate and will be used to process the Allocation Certificate. It is understood the information provided does not represent the final project costs.

Application Fee: attach a check payable to the SHPO/Department of Administration. Note the federal review fee is separate from the Minnesota Application Fee. SHPO cannot accept checks for federal review; follow their instructions for payment online at: www.nps.gov/tps/tax-incentives/application.htm.

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

Application Information

Check one of the three boxes indicating whether you intend to request a state tax credit, grant-in-lieu-of-credit (GILOC), or a combination of the two when the project is completed. If you select a combination, enter the approximate percentage of the project that will be requested as a tax credit and the approximate percentage that will be requested as a GILOC (these two percentages must add up to 100%). This application information is used solely for the purposes of state budget forecasting; you are not bound by your selection. When the project is completed and approved, the tax credit and/or GILOC will be issued based on Part B of the application.

General Project Information

This information will allow SHPO to better coordinate the review process for projects that are subject to local, state, and Federal review processes.

Is the building subject to review by a local HPC? Local heritage preservation commissions often have review authority over locally designated landmarks and landmark districts. Check “yes” if the property is a local landmark or located within a local landmark district and subject to design review. More information on HPCs is available online at: <https://mn.gov/admin/shpo/preservation/clg/>.

Will this project receive Federal funding or approval? If so, please briefly describe. The SHPO reviews and consults on Federal projects pursuant to Section 106 of the National Historic Preservation Act. If the rehabilitation project will receive either Federal assistance (loan, grant, etc.) or will require Federal approval (license, permit, etc.) then check “yes” and provide our office with the Federal agency contact, a brief description of the Federal involvement, and SHPO project review number, if available. More information about the Section 106 review process is available online at: <https://mn.gov/admin/shpo/protection/review/process/>.

Will this project receive State funding or approval? If so, please briefly describe. The SHPO reviews and consults on State projects, including projects undertaken by local and county governments, pursuant to the Minnesota Historic Sites Act and other state laws. If the rehabilitation project will receive any State assistance (loan, grant, etc.) or will require State approval, then check “yes” and provide our office with the State or other governmental agency contact, a brief description of the State involvement, and SHPO project review number, if available. More information about the State review process is available online at: <https://mn.gov/admin/shpo/protection/review/process/>.

Will this project receive grant funding from the Minnesota Historical Society? If the project will receive any grant funding from the Minnesota Historical Society, check “yes” and tell us which grant program is involved. More information on MHS grant programs is found online at: www.mnhs.org/shpo/grants/.

Property and Rehabilitation Project Information

Estimated construction start date: Enter the date you expect construction to begin on the project. Note: because state law requires developers of a project to apply *before* the rehabilitation work begins, this date must be after the date the application is submitted to the SHPO. If SHPO has any question about whether or not work began prior to application, we will ask for additional information confirming when construction began. The date entered here must be same as the “Start date (estimated)” entered on Part 2 of the federal application.

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

Estimated date project will be placed in service: Enter the date you expect the project to be completed and placed in service. The date entered here must be same as the “Completion date (estimated)” entered on Part 2 of the federal application.

Estimated costs attributed solely to rehabilitation of the historic structure (qualified rehabilitation expenses): Enter the dollar amount of the expected project costs that will meet the meaning for qualified rehabilitation expenditures (QREs) given in Section 47 of the Internal Revenue Code. More information on QREs can be found online at: www.nps.gov/tps/tax-incentives/before-apply/qualifiedexpenses.htm. The amount entered here should match the amount of “Estimated QREs” provided on the QRE schedule and the “Estimated rehabilitation costs (QRE)” entered on Part 2 of the federal application.

Estimated costs attributed to other work associated with the rehabilitation, including additions, site work, parking lots, landscaping: Enter the dollar amount of the expected project costs that will *not* meet the definition of a QRE under Section 47 of the Internal Revenue Code. The amount entered here should match the amount of “Non-qualified Expenditures” provided on the QRE schedule.

Estimated Total project costs: Enter the total dollar amount of the expected project costs (i.e, QREs + non-QREs). The amount entered here should match the amount of “Total Estimated Cost” provided on the QRE schedule.

Estimated Federal credit allowed: Enter 20% of the estimated QREs. For example, if the QREs are expected to equal \$500,000, the amount here will be \$100,000.

Estimated cost of materials: Enter the portion of the Estimated Total Project Cost expected to be spent on materials.

Estimated cost of labor: Enter the portion of the Estimated Total Project Cost expected to be spent on labor (construction and consultants).

Estimated number of jobs created during rehabilitation: Your contractor(s) should be able to tell you the number of full-time equivalents (FTEs) expected to be employed during the rehabilitation.

Assessed property value in tax year before rehabilitation: Enter the assessed value of the property in the tax year before rehabilitation begins. This amount can be found on your property tax records.

Pre-rehabilitation Adjusted Basis: The pre-rehabilitation adjusted basis will be used to determine whether or not the project meets the definition of a “substantial” rehabilitation (i.e., the QREs must exceed the pre-rehabilitation adjusted basis). The amount entered here should match the amount of “Pre-rehabilitation Adjusted Basis” provided on the QRE schedule.

Developer (Authorized Signature)

Enter the name and title of the Developer (the Applicant on the federal Part 2 form) of the property or the individual legally authorized to sign on behalf of an ownership entity. The owner must sign the Part A. Digital, stamped, or copied signatures are not permitted. We recommend the owner sign in blue ink.

Completing Part B – Request for Certification of State Credit

Part B of the Minnesota application must be submitted with Part 3 of the federal application. Submit just one copy of the Part B, along with the required attachments. Package the Part B separately from the Part 3. Remember, you need to submit two copies of the Federal Part 3.

The SHPO reserves the right to request a full audit of expenditures. The SHPO will not issue a credit certificate or a grant-in-lieu-of-credit until the project has been placed in service (as documented in Part 3 of the federal tax credit application), the Part 3 has been approved by the National Park Service, and the property is listed in the National Register of Historic Places. Pursuant to the grant procedures of the SHPO, applicants receiving a grant-in-lieu-of-credit must enter into a formal grant agreement and a five-year letter of agreement requiring any proposed changes to the historic property be reviewed by SHPO.

Be aware that information submitted to the SHPO is generally considered public. However, private information such as social security numbers and tax identification numbers will be redacted before being made available.

For SHPO Use Only

Do not fill out this box.

Historic Property

Enter the property's historic name, address, and county. This should match the Part A information.

Developer

Enter the property owner's name, address, telephone, and email. This should *match* the Applicant information on Part 3 of the federal application.

Attachments

Qualified Rehabilitation Expenditures (QRE) Schedule: attach a QRE Schedule with the final expenses outlined. The QRE Schedule and instructions are available online at: <https://mn.gov/admin/shpo/incentives/state/>. Fill out the information on the Part B tab.

Original, signed letter with statement by a CPA certifying QREs: The QRE Schedule must be accompanied by a CPA's letter with original signature certifying the financial documentation on the QRE Schedule, including: verification the QREs presented in the schedule meet the definition of a Qualified Rehabilitation Expenditure under Section 47 of the Internal Revenue Code and that they are allowed for the project under the federal program; verification of the final amount of federal credit allowed for the project; and a description of how the substantial rehabilitation test has been met for the project as a whole. Additional information can be found online at: <https://mn.gov/admin/shpo/incentives/state/>.

List of individuals to be issued a tax credit certificate or a grant-in-lieu-of-credit: Use the format shown in this application (see additional instructions below).

Organizational Documents, if applicable: If the individuals or entities designated to receive a Minnesota tax credit certificate are not the owners designated in Part 3 of the federal application, organizational documents are needed to verify the individuals or entities are allowed a federal credit (see additional instructions, below).

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

Application Fee: attach a check payable to the SHPO/Department of Administration. Note the federal review fee is separate from the Minnesota Application Fee. SHPO cannot accept checks for federal review; follow their instructions for payment online at: www.nps.gov/tps/tax-incentives/application.htm.

General Project Information

This information will allow SHPO to close the review process for projects that are subject to local, state, and Federal review processes.

Did this project receive Federal funding or approval? If so, please briefly describe. The SHPO reviews and consults on Federal projects pursuant to Section 106 of the National Historic Preservation Act. If the rehabilitation project received either Federal assistance (loan, grant, etc.) or required Federal approval (license, permit, etc.) then check “yes” and provide our office with the Federal agency contact, a brief description of the Federal involvement, and SHPO project review number, if available. More information about the Section 106 review process is available online at: <https://mn.gov/admin/shpo/protection/review/process/>.

Did this project receive State funding or approval? If so, please briefly describe. The SHPO reviews and consults on State projects, including projects undertaken by local and county governments, pursuant to the Minnesota Historic Sites Act and other state laws. If the rehabilitation project received any State assistance (loan, grant, etc.) or required State approval, then check “yes” and provide our office with the State or other governmental agency contact, a brief description of the State involvement, and SHPO project review number, if available. More information about the State review process is available online at: <https://mn.gov/admin/shpo/protection/review/process/>.

Did this project receive grant funding from the Minnesota Historical Society? If the project will receive any grant funding from Minnesota Historical Society, check “yes” and tell us which grant program is involved. More information on MHS grant programs is found online at: www.mnhs.org/shpo/grants/.

Rehabilitation Project Information

Project start date: Enter the date construction actually began on the project. Note: because state law requires developers of a project to apply before the rehabilitation begins, this date must be after the date the Part A application was submitted to SHPO. If SHPO has any question about whether or not work began prior to application, we will ask for additional information confirming when construction began. The date entered here must be same as the “Project starting date” entered on the federal Part 3.

Date project placed in service: Enter the date the project was completed and placed in service. The date entered here must be same as the “Project completed and building placed in service date” entered on Part 3 of the federal application.

Costs attributed solely to rehabilitation of the historic structure (qualified rehabilitation expenses): Enter the dollar amount of the actual project costs that met the meaning given in Section 47 of the Internal Revenue Code. More information on QREs can be found online at: www.nps.gov/tps/taxincentives/before-apply/qualified-expenses.htm. The amount entered here should match the amount of “Actual QREs” provided on the QRE schedule and the “Estimated rehabilitation

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

costs (QRE)” entered on Part 3 of the federal application. Note: although the federal Part 3 references “estimated” costs, for the purposes of the state application, actual costs must be used.

Costs attributed to other work associated with the rehabilitation, including additions, site work, parking lots, landscaping: Enter the dollar amount of the actual project costs that have *not* met the definition of a QRE under Section 47 of the Internal Revenue Code. The amount entered here should match the amount of “Non-qualified Expenditures” provided on the QRE schedule.

Total project costs: Enter the total dollar amount of the project costs (i.e., QREs + non-QREs). The amount entered here should match the “Total Actual Project Costs” provided on the QRE schedule and and the “Total estimated costs (QRE plus non-QRE)” entered on Part 3 of the federal application. Note: although the federal Part 3 references “estimated” costs, for the purposes of the state application, actual costs must be used.

Federal credit allowed: Enter the actual federal credit allowed at 20% of the actual QREs. The amount entered here must match the dollar amount certified by the CPA.

Actual cost of materials: Enter the portion of the Total Actual Project Costs spent on materials.

Actual cost of labor: Enter the portion of the Total Actual Project Costs spent on labor (construction and consultants).

Actual number of jobs created during rehabilitation: Your contractor(s) should be able to tell you the number of full-time equivalents (FTEs) employed during the rehabilitation

Developer (Authorized Signature)

Type the name and title of the project Developer (the Applicant on the federal Part 3 form) of the property or the individual legally authorized to sign on behalf of an ownership entity. The Developer must sign the Part B. Digital, stamped, or copied signatures are not permitted. We recommend the owner sign in blue ink.

Tax Credit Certificate and GILOC Recipients

Each individual or entity to receive either a Minnesota tax credit certificate or a GILOC must be listed individually. If both tax credit certificates and GILOCs are to be issued on a single project, list individuals receiving tax credit certificates first, followed by individuals receiving GILOCs. If a taxpayer involved in the federal project is not entitled to a state tax credit or GILOC, do not list them. If additional boxes are necessary, please use the Part B – Continuation Sheet form. Number them sequentially, and provide the requested information.

For each individual or entity receiving a tax credit certificate: Fill out a box on the Part B application noting the name, address, Social Security or Federal Tax ID Number, and telephone number. In the right hand side of the box, enter the actual percentage of property ownership (as it pertains to the federal credit) and the percentage of state credit designated for the individual or entity based on the organizational documents. In some cases, these will not be the same percentage. Select the “tax credit certificate” box and enter the actual amount of state credit to be issued. For example, if an individual is to receive 50% of the \$1,000,000 Minnesota tax credit, enter “\$500,000.” Tax credit certificates will be mailed to the addresses specified on the form unless you specify otherwise.

Minnesota Historic Structure Rehabilitation Tax Credit Instructions

Note: Individuals and entities designated to receive a state tax credit certificate MUST be allowed a federal tax credit for the project. If the taxpayers designated on the Part B to receive a tax credit certificate do not match the owners designated on Part 3 of the federal application, submit the organizational documents of the federal entity as of the last day of the taxable year showing taxpayers designated on the Part B having ownership interest in the entities designated on the Part 3. Please highlight the organizational document to facilitate review.

For each individual or entity receiving a Grant-in-lieu-of-credit: Fill out a box on the Part B application noting the name, address, Social Security or Federal Tax ID Number, and telephone number. In the right hand side of the box, enter the actual percentage of property ownership (as it pertains to the federal credit) and the percentage of allowable state credit designated for the individual or entity. For the purposes of the GILOC, the ownership percentage as it pertains to the federal credit is often 0%. Select the "Grant-in-lieu-of-credit" box and enter the actual amount of the GILOC to be issued, with the understanding that a GILOC is 90% of the state tax credit allowed. For example, if an individual is to receive 50% of the allowable \$1,000,000 tax credit as a GILOC, the amount would be \$450,000 ($\$1,000,000 \times 0.50 \times 0.90 = \$450,000$).

Note: The owner and/or developer and the GILOC recipient will need to sign a Grant Agreement and/or Letter of Agreement Governing Use of the Historic Property. This process will be initiated after the Part 3 has been approved by the NPS.