



WISCONSIN
HISTORICAL
SOCIETY

Application Instructions For FEDERAL & STATE Income-Producing Tax Credits

This guidance applies to owners applying to both the federal and state tax credit.

A 20% federal income tax credit is available to owners who rehabilitate their income-producing certified historic structures. This nation-wide program is managed by the National Park Service (NPS) and administered in Wisconsin by the Division of Historic Preservation and Public History of the Wisconsin Historical Society (WHS). The State of Wisconsin has a 20% supplement to the federal income tax credit that may be applied for by those who qualify for the federal program. To claim the state credit, the owner must receive approval from the state prior to starting work. While this is not the case with the federal credit, beginning work prior to NPS approval is not recommended. In order to receive both tax credits, approval is required by WHS, NPS and the Wisconsin Economic Development Corporation (WEDC).

BEFORE APPLYING

1. Make sure the project meets the financial requirements. The amount of money that you spend on the historic rehabilitation must equal at least \$50,000 or the "adjusted basis" of the building, whichever is greater. The adjusted basis is the price that you paid for the building (minus the value of the land), plus any improvements that you have made, minus any depreciation.
2. Consult an accountant, tax attorney or the IRS to determine whether these incentives apply to your own tax and financial situation.
3. Contact your WHS preservation architect to notify them of your intent to apply for the tax credit. (Refer to the map at the end of this document to find your architect.) We will check to see if your building is already a certified historic structure and can discuss the preliminary details of your project to determine whether the work may meet NPS standards.



HOW TO APPLY

All application forms must be completed. All federal forms must be signed by the owner(s) and also have the owner's Social Security Number or Tax Identification Number. **Two copies of all forms, photographs, drawings and other materials are required.** One copy is kept at WHS while the second copy is sent to the NPS. The application parts may be sent separately or together, but if they are sent separately, Part 1 must precede Part 2. In order to complete the application process for the State tax credits, the Wisconsin Economic Development Corporation application forms must be completed. Return these forms to WHS along with the Part 2 application materials.

PHOTOGRAPHY

Prior to submission of the Part 1 and/or Part 2, you will need to take detailed photographs of the property. Photos are required to be clear; a minimum of 4" x 6"; color and printed on high quality paper. (CDs with photos are not acceptable.) All photos should be numbered, dated and labeled with the property name. All photos should be keyed to a site/floor plan. At a minimum the following photographs are required:

- a. Several photos of the site and setting
- b. At least one photo of each building elevation
- c. Detailed (close-up) photos of specific architectural features affected by the proposed rehabilitation
- d. Photos of interior spaces/rooms

THE PART 1 APPLICATION

The Part 1 is used to request certification that a building contributes to the significance of a registered historic district. **Or** The Part 1 is used to request that a building is eligible for listing in the National Register of Historic Places. The Part 1 is not needed if the property is a single building currently listed in the National Register of Historic Places. If you are seeking eligibility approval; attach a draft National Register nomination to the Part 1 application.

Submit two copies of the Part 1 Application, two sets of the photographs and photo key and two copies of the historic district map with the specified building(s) highlighted.



THE PART 2 APPLICATION

The Part 2 describes rehabilitation work to be undertaken on the building. Applicants are strongly encouraged to submit applications describing proposed work and to receive approval from the NPS **prior** to the start of work. Owners who undertake rehabilitation projects without prior approval from the National Park Service assume the risk of having their project rejected.

Proposed work will be evaluated using the Secretary of the Interior's Standards for Rehabilitation.

Describe all work that will be undertaken on the property, not simply work for which the tax credit will be sought. The NPS reviews the entire rehabilitation project, including any attached, adjacent or related new construction. Expenditures made to the exterior or the interior of certified historic structures are eligible expenses (with the exception of moveable equipment). The costs of site work, acquisition, and construction of additions are not eligible for the credits.

Describe each feature and the work that will be done on it. Begin with site work, followed by the exterior, including new construction, and then the interior. Reference the photograph or drawing numbers that show the feature in your description.

If you are requesting a five year phased project, you must submit a proposed project schedule listing what work would take place in each year.

Applications that are incomplete or that describe inappropriate work will be returned for revision. Most applications are returned to applicants for the following reasons:

1. Lack of photographic documentation.

Each applicant is required to submit **TWO** sets of color photographs (a minimum of 4" x 6") that show all of the conditions described in the application. Two sets of photographs are required because WHS keeps one set and one set is sent to NPS. Photos should be loose (unmounted) clearly labeled and keyed to a plan.

2. Lack of adequate plans.

In most cases, in order to describe the work, plans or other drawings are required. For example, when interior work involves alteration of interior features, the NPS requires that before-and-after floor plans be submitted. If you submit plans or other drawings, please remember to submit **TWO** copies. Also note NPS requires a full and complete set of drawings and specifications. Summary drawing sets are not acceptable. In most cases, summary materials leave out important information that we and the NPS need to review a project.

3. Lack of required signatures.

The NPS and the Internal Revenue Service (IRS) require that applications be signed by all property owners, and that the names, addresses, and taxpayer identification numbers of those owners be indicated on the application. The IRS requires that **all partners** give their names and taxpayer identification numbers on an application. A general partner who is in the process of soliciting partners at the time of application should include a statement that the names of the remaining partners are unknown, but that they will be submitted at a later date.

4. Failure to describe significant aspects of a project. Sometimes, applicants omit descriptions of those parts of a project that they do not feel are important, such as interior rehabilitation. The NPS reviews all parts of a project and requires applicants to address all aspects of project work including interior work, new construction, demolition of nearby structures, and installation of new mechanical and electrical systems.

Submit two copies of the Part 2 Application, two sets of the photographs and photo key, and two sets of any/all drawings, specifications and manufacturer's information.

REVIEW FEES

NPS charges a fee for reviewing Part 2 and Part 3 applications according to the fee schedule published on the NPS website. Do not send payment until requested to do so by NPS. Review of Part 2 and Part 3 applications does not start until payment has been received. WHS does not charge a review fee.



REVIEW PROCESS

WHS preservation architects review the application and forward it to the NPS with a recommendation. State recommendations are generally followed, however the NPS is responsible for all certification decisions. The review time for a complete application is generally 30 days at the WHS and 30 days at the NPS.

CARRY OUT THE WORK

Once the Part 2 application has been approved by the NPS, you may begin the work. It is possible to amend your project. Submit two copies of all amendments (along with necessary photos and drawings) to WHS which will then forward them to the NPS for approval. Use the NPS Amendment Form for this purpose.

If your property has received a preliminary determination of significance through the Part 1 application process, (in other words, if it is not individually listed in the National Register or certified as contributing to a National Register district), complete a National Register nomination for the property. National Register listing is a lengthy process, so we urge you to begin this work immediately upon approval. In addition, you cannot claim tax credits until the building is listed.



APPLY FOR FINAL CERTIFICATION

In the calendar year you complete the work and place the building in service, you must submit a *Request for Certification of Completed Work* (or the Part 3 application). Completion photos keyed to a floor plan must accompany the Part 3 application. The NPS can approve the project and you may use the approval letter to claim your credit (if the building is listed). If the building is not yet listed at the time of completion, you will need to submit a request for extension from the IRS.

If the building is sold after the tax credits are claimed, the IRS and the Wisconsin Department of Revenue will recapture all or part of the credit. The amount of recapture is reduced by 20% per year and after five years there is no recapture. During this period, you are required to obtain NPS approval of any significant additional work that you undertake.

FOR FURTHER INFORMATION...

COMPLETING THE PART 1

For advice about completing the Part I certification application, call **Joe DeRose** at 608/264-6512 or joe.derose@wisconsinhistory.org.

HIRING A CONSULTANT

While it is not required, many applicants will hire professional consultants to complete the Part I application and/or complete the National Register Nomination. If you wish to hire a consultant: www.wisconsinhistory.org/hp/consultantlist.asp

NATIONAL REGISTER QUESTIONS

For information on listing a building in the National Register of Historic Places contact **Ian Gort** at 608/264-6502 or ian.gort@wisconsinhistory.org.

TAX QUESTIONS

For advice about your tax circumstances, you should contact tax specialists, such as tax lawyers or accountants, or the Internal Revenue Service.

Colleen Galagher at the IRS District Office in St. Paul is available to answer tax questions as they relate to this program. She can be reached at 651-726-1480 or colleen.k.galagher@irs.gov.

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www.wisconsinhistory.org

NATIONAL PARK SERVICE

<http://www.nps.gov/tps/tax-incentives.htm>

WHS ARCHITECTS (by region)

