PLEASE NOTE

The Historic Preservation Tax Incentives brochure has not been revised to reflect any changes that may be necessary related to Public Law No: 115-97 (December 22, 2017).

Public Law No: 115-97 amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. Section 13402 modifies the 20% Historic Rehabilitation Tax Credit and provides certain transition rules. These and other changes to the Internal Revenue Code may affect a taxpayer's ability to use the 20% tax credit. The law also repeals the10% credit for rehabilitating non-historic buildings. The text of Public Law No: 115-97 is available at www.congress.gov.

Applicants requesting historic preservation certifications by the National Park Service, as well as others interested in the use of these tax credits, are strongly advised to consult an accountant, tax attorney, or other professional tax adviser, legal counsel, or the Internal Revenue Service regarding the changes to the Internal Revenue Code related to Public Law No: 115-97.

Historic Preservation Tax Incentives

National Park Service
U.S. Department of the Interior

Technical Preservation Services

This booklet describes the Federal Historic Preservation Tax Incentives in general terms only. Every effort has been made to present current information as of the date given below. However, the Internal Revenue Code is complex and changes frequently. Furthermore, the provisions of the tax code regarding at-risk rules, passive activity limitation, and alternative minimum tax can affect a taxpayer's ability to use these tax credits. *Readers are strongly advised to consult an accountant, tax attorney, or other professional tax advisor, legal counsel, or the Internal Revenue Service for help in determining whether these incentives apply to their own situations.* For more detailed information, including copies of application forms, regulations, and other program information, contact one of the offices listed on pages 26-29.

Department of the Interior regulations governing the procedures for obtaining historic preservation certifications are more fully explained in Title 36 of the Code of Federal Regulations, Part 67. The Internal Revenue Service regulations governing the tax credits for rehabilitation are contained in Treasury Regulation Section 1.48-12. These sets of regulations take precedence in the event of any inconsistency with this booklet.

Technical Preservation Services
National Park Service
2012

Cover: German Bank, Dubuque, Iowa (1901). After rehabilitation for continued commercial and residential use. Courtesy State Historical Society of Iowa. Photograph: John Zeller.

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Preservation Tax Incentives

Historic buildings are tangible links with the past. They help give a community a sense of identity, stability and orientation. The Federal government encourages the preservation of historic buildings through various means. One of these is the program of Federal tax incentives to support the rehabilitation of historic and older buildings. The Federal Historic Preservation Tax Incentives program is one of the Federal government's most successful and cost-effective community revitalization programs.

The National Park Service administers the program with the Internal Revenue Service in partnership with State Historic Preservation Offices. The tax incentives promote the rehabilitation of historic structures of every period, size, style and type. They are instrumental in preserving the historic places that give cities, towns and rural areas their special character. The tax incentives for preservation attract private investment to the historic cores of cities and towns. They also generate jobs, enhance property values, and augment revenues for State and local governments through increased property, business and income taxes. The Preservation Tax Incentives also help create moderate and low-income housing in historic buildings. Through this program, abandoned or underused schools, warehouses, factories, churches, retail stores, apartments, hotels, houses, and offices throughout the country have been restored to life in a manner that maintains their historic character.

Current tax incentives for preservation, established by the Tax Reform Act of 1986 (PL 99-514; Internal Revenue Code Section 47 [formerly Section 48(g)]) include:

- a 20% tax credit for the *certified rehabilitation* of *certified historic structures*.
- a 10% tax credit for the rehabilitation of *non-historic, non-residential buildings* built before 1936.

From time to time, Congress has increased these credits for limited periods for the rehabilitation of buildings located in areas affected by natural disasters. For more information, see the instructions on IRS Form 3468, Investment Credit, or contact your State Historic Preservation Office.

In all cases the rehabilitation must be a *substantial* one and must involve a *depreciable* building. (These terms will be explained later.)

What Is a Tax Credit?

A tax credit differs from an income tax deduction. An income tax deduction lowers the amount of income subject to taxation. A tax credit, however, lowers the amount of tax owed. In general, a dollar of tax credit reduces the amount of income tax owed by one dollar.

- The 20% rehabilitation tax credit equals 20% of the amount spent in a *certified rehabilitation of a certified historic structure*.
- The 10% rehabilitation tax credit equals 10% of the amount spent to rehabilitate a *non-historic building* built before 1936.

Armstrong Cork Company Plant, Pittsburgh, Pennsylvania (1901-1913). After rehabilitation for retail and housing. Photograph: Charles Uhl.

20% Rehabilitation Tax Credit

The Federal historic preservation tax incentives program (the 20% credit) is jointly administered by the U.S. Department of the Interior and the Department of the Treasury. The National Park Service (NPS) acts on behalf of the Secretary of the Interior, in partnership with the State Historic Preservation Officer (SHPO) in each State. The Internal Revenue Service (IRS) acts on behalf of the Secretary of the Treasury. Certification requests (requests for approval for a taxpayer to receive these benefits) are made to the NPS through the appropriate SHPO. Comments by the SHPO on certification requests are fully considered by the NPS. However, approval of projects undertaken for the 20% tax credit is conveyed *only in writing* by duly authorized officials of the National Park Service. For a description of the roles of the NPS, the IRS and the SHPO, see "Tax Credits: Who Does What?" on pages 14 -15.

The 20% rehabilitation tax credit applies to any project that the Secretary of the Interior designates a *certified rehabilitation* of a *certified historic structure*. The 20% credit is available for properties rehabilitated for commercial, industrial, agricultural, or rental residential purposes, but it is not available for properties used exclusively as the owner's private residence.

What is a "certified historic structure?"

A *certified historic structure* is a building that is listed individually in the National Register of Historic Places —OR— a building that is located in a *registered historic district* and certified by the National Park Service as contributing to the historic significance of that district. The "structure" must be a building—not a bridge, ship, railroad car, or dam. (A *registered historic district* is any district listed in the National Register of Historic Places.

Hanny's Building, Phoenix, Arizona (1947). After rehabilitation of this high-fashion clothing store for restaurant and other commercial use. Photograph: Ryden Architects, Inc.

A State or local historic district may also qualify as a *registered historic district* if the district and the enabling statute are certified by the Secretary of the Interior.)

Obtaining Certified Historic Structure Status

Owners of buildings within historic districts must complete Part 1 of the Historic Preservation Certification Application—Evaluation of Significance. The owner submits this application to the SHPO. The SHPO reviews the application and forwards it to the NPS with a recommendation for approving or denying the request. The NPS then determines whether the building contributes to the historic district. If so, the building then becomes a *certified historic structure*. The NPS bases its decision on the Secretary of the Interior's "Standards for Evaluating Significance within Registered Historic Districts" (see page 23).

Buildings individually listed in the National Register of Historic Places are already certified historic structures. Owners of these buildings need not complete the Part 1 application (unless the listed property has more than one building).

Property owners unsure if their building is listed in the National Register or if it is located in a National Register or certified State or local historic district should contact their SHPO.

What if my building is not yet listed in the National Register?

Owners of buildings that are not yet listed individually in the National Register of Historic Places or located in districts that are not yet registered historic districts may use the Historic Preservation Certification Application, Part 1, to request a *preliminary determination of significance* from the National Park Service. Such a determination may also be obtained for a building located in a registered historic district but that is outside the period or area of significance of the district. A preliminary determination of significance allows NPS to review Part 2 of the application describing the proposed rehabilitation. Preliminary determinations, however, are not binding. They become final only when the building or the historic district is listed in the National Register or when the district documentation is amended to include additional periods or areas of significance. It is the owner's responsibility to obtain such listing through the State Historic Preservation Office in a timely manner.

What is a "certified rehabilitation?"

The National Park Service must approve, or "certify," all rehabilitation projects seeking the 20% rehabilitation tax credit. A *certified rehabilitation* is a rehabilitation of a *certified historic structure* that is approved by the NPS as being consistent with the historic character of the property and, where applicable, the district in which it is located. The NPS assumes that some alteration of the historic building will occur to provide for an efficient use. However, the project must not damage, destroy, or cover materials or features, whether interior or exterior, that help define the building's historic character.

Application Process

Owners seeking certification of rehabilitation work must complete Part 2 of the Historic Preservation Certification Application—Description of Rehabilitation. Long-term lessees may also apply if their remaining lease period is at least 27.5 years for residential property or 39

years for nonresidential property. The owner submits the application to the SHPO. The SHPO provides technical assistance and literature on appropriate rehabilitation treatments, advises owners on their applications, makes site visits when possible, and forwards the application to the NPS, with a recommendation.

The NPS reviews the rehabilitation project for conformance with the "Secretary of the Interior's Standards for Rehabilitation," and issues a certification decision. The entire project is reviewed, including related demolition and new construction, and is certified, or approved, only if the overall rehabilitation project meets the Standards. These Standards appear on pages 24-25. Both the NPS and the IRS strongly encourage owners to apply *before* they start work.

58 B Street, Virginia City, Nevada (1875). Rehabilitated as a bed and breakfast. Courtesy Chris Eichin.

After the rehabilitation work is completed, the owner submits Part 3 of the Historic Preservation Certification Application—Request for Certification of Completed Work to the SHPO. The SHPO forwards the application to the NPS, with a recommendation as to certification. The NPS then evaluates the completed project against the work proposed in the Part 2—Description of Rehabilitation. Only completed projects that meet the Standards for Rehabilitation are approved as "certified rehabilitations" for purposes of the 20% rehabilitation tax credit.

Before

After

Carleton Place (historic name: Simmons Manufacturing Company), St. Paul, Minnesota (1909). Before and after rehabilitation for residential use. Courtesy Hess, Roise and Company.

Processing Fees

The NPS charges a fee for reviewing applications. Fees are charged for the review of proposed work (Part 2) and for review of completed projects (Part 3). The fees are based on the rehabilitation costs. Payment should not be sent until requested by NPS. The NPS will not issue a certification decision until payment has been received. See the NPS website on page 26 for the fee schedule.

Hollywood Bungalow Courts, Los Angeles, California (1921-1925). Rehabilitated as housing for special-needs and low-income residents. Photograph: NPS Files.

IRS Requirements

To be eligible for the 20% rehabilitation tax credit, a project must also meet basic IRS requirements:

» The building must be *depreciable*. That is, it must be used in a trade or business or held for the production of income. It may be used for offices, for commercial, industrial or agricultural enterprises, or for rental housing. It may not serve exclusively as the owner's private residence.

» The rehabilitation must be *substantial*. That is, during a 24-month period selected by the taxpayer, rehabilitation expenditures must exceed the greater of $5,000 or the adjusted basis of the building and its structural components. The adjusted basis is generally the purchase price, minus the cost of land, plus improvements already made, minus depreciation already taken. Once the substantial rehabilitation test is met, the credit may be claimed for all qualified

expenditures incurred before the measuring period, during the measuring period and after the measuring period through the end of the taxable year that the building is placed in service.

- Phased rehabilitations—that is, rehabilitations expected to be completed in two or more distinct stages of development—must also meet the "substantial rehabilitation test." However, for phased rehabilitations, the measuring period is 60 months rather than 24 months. This phase rule is available only if: (1) a set of architectural plans and specifications outlines and describes all rehabilitation phases; (2) the plans are completed before the physical rehabilitation work begins, and (3) it can reasonably be expected that all phases will be completed.

- The property must be placed in service (that is, returned to use). The rehabilitation tax credit is generally allowed in the taxable year the rehabilitated property is placed in service.

- The building must be a *certified historic structure* when placed in service, with the following exception: If the building or the historic district is not listed in the National Register, the owner must have requested that the SHPO nominate the building or the district to the National Register before the building is placed in service. If the building is in a historic district that is listed or may be listed in the National Register, the owner must submit Part 1 of the application before the building is placed in service.

- Qualified rehabilitation expenditures include costs of the work on the historic building, as well as architectural and engineering fees, site survey fees, legal expenses, development fees, and other construction-related costs, if such costs are added to the property basis and are reasonable and related to the services performed. They do not include acquisition or furnishing costs, new additions that expand the building, new building construction, or parking lots, sidewalks, landscaping, or other related facilities.

114 NW Main Street, Rocky Mount, North Carolina (1928).
Photograph: William Ferguson.

Getting your project approved, or "certified"

Tens of thousands of projects have been approved for the historic preservation tax credit. Observing the following points will make approval of your project easier:

» *Apply as soon as possible—preferably before beginning work.* Consult with the SHPO as soon as you can. Read carefully the program application, regulations, and any other information the SHPO supplies. Submit your application early in the project planning. Wait until the project is approved in writing by the NPS before beginning work. Work undertaken prior to approval by the NPS may jeopardize certification. In the case of properties not yet designated certified historic structures, apply before the work is completed and the building is placed in service.

- *Photograph the building inside and outside—before and after the project.* "Before" photographs are especially important. Without them, it may be impossible for the NPS to approve a project.

- *Read and follow the "Secretary of the Interior's Standards for Rehabilitation" and the "Guidelines for Rehabilitating Historic Buildings."* If you are unsure how they apply to your building, consult with the SHPO or the NPS.

- *Once you have applied, alert the SHPO and the NPS to any changes in the project.*

Claiming the 20% Rehabilitation Tax Credit

Generally, the tax credit is claimed on IRS form 3468 for the tax year in which the rehabilitated building is placed in service. For phased projects, the tax credit may be claimed before completion of the entire project provided that the substantial rehabilitation test has been met. If a building remains in service throughout the rehabilitation, then the credit may be claimed when the substantial rehabilitation test has been met. In general, unused tax credit can be "carried back" one year and "carried forward" 20 years.

The IRS requires that the NPS certification of completed work (Application Part 3) be filed with the tax return claiming the tax credit. If final certification has not yet

been received when the taxpayer files the tax return claiming the credit, a copy of the first page of the Historic Preservation Certification Application—Part 2 must be filed with the tax return, with proof that the building is a *certified historic structure* or that such status has been requested. The copy of the application filed must show evidence that it has been received by either the SHPO or the NPS (date-stamped receipt or other notice is sufficient). If the taxpayer then fails to receive final certification within 30 months after claiming the credit, the taxpayer must agree to extend the period of assessment. If the NPS denies certification to a rehabilitation project, the credit will be disallowed.

Recapture of the Credit

The owner must hold the building for five full years after completing the rehabilitation, or pay back the credit. If the owner disposes of the building within a year after it is placed in service, 100% of the credit is recaptured. For properties held between one and five years, the tax credit recapture amount is reduced by 20% per year.

The NPS or the SHPO may inspect a rehabilitated property at any time during the five-year period. The NPS may revoke certification if work was not done as described in the Historic Preservation Certification Application, or if unapproved alterations were made for up to five years after certification of the rehabilitation. The NPS will notify the IRS of such revocations.

Prizery/R.J. Reynolds Tobacco Warehouse, South Boston, Virginia (1900). Rehabilitated for commercial use. Photographs: Ian Bradshaw.

Depreciation

Rehabilitated property is depreciated using the straight-line method over 27.5 years for residential property and over 39 years for nonresidential property. The depreciable basis of the rehabilitated building must be reduced by the full amount of the tax credit claimed.

Rehabilitation Tax Credits: Who Does What?

The Federal historic preservation tax incentives program is a partnership among the National Park Service (NPS), the State Historic Preservation Officer (SHPO), and the Internal Revenue Service (IRS). Each plays an important role.

SHPO

- Serves as first point of contact for property owners.
- Provides application forms, regulations, and other program information.
- Maintains complete records of the State's buildings and districts listed in the National Register of Historic Places, as well as State and local districts that may qualify as registered historic districts.
- Assists anyone wishing to list a building or a district in the National Register of Historic Places.
- Provides technical assistance and literature on appropriate rehabilitation treatments.
- Advises owners on their applications and makes site visits on occasion to assist owners.
- Makes certification recommendations to the NPS.

NPS

- Reviews all applications for conformance to the *Secretary of the Interior's Standards for Rehabilitation*.

- Issues all certification decisions (approvals or denials) in writing.
- Transmits copies of all decisions to the IRS.
- Develops and publishes program regulations, the *Secretary of the Interior's Standards for Rehabilitation*, the Historic Preservation Certification Application, and information on rehabilitation treatments.

IRS

- Publishes regulations governing which rehabilitation expenses qualify, the time periods for incurring expenses, the tax consequences of certification decisions by NPS, and all other procedural and legal matters concerning both the 20% and the 10% rehabilitation tax credits.
- Answers public inquiries concerning legal and financial aspects of the Historic Preservation Tax Incentives, and publishes the audit guide, *Market Segment Specialization Program: Rehabilitation Tax Credit*, to assist owners.
- Insures that only parties eligible for the rehabilitation tax credits utilize them.

Odd Fellows Building, Raleigh, North Carolina (c. 1880). Rehabilitated for continued commercial use. Courtesy Empire Properties.

10% Rehabilitation Tax Credit

The 10% rehabilitation tax credit is available for the rehabilitation of *non-historic buildings* placed in service before 1936.

As with the 20% rehabilitation tax credit, the 10% credit applies only to buildings—not to ships, bridges or other structures. The rehabilitation must be substantial, exceeding either $5,000 or the adjusted basis of the property, whichever is greater. And the property must be *depreciable*.

The 10% credit applies only to buildings rehabilitated for *non-residential* uses. Rental housing would thus not qualify. Hotels, however, would qualify. They are considered to be in commercial use, not residential.

A building that was moved after 1935 is ineligible for the 10% rehabilitation credit. (A moved *certified historic structure*, however, can still be eligible for the 20% credit.) Furthermore, projects undertaken for the 10% credit must meet a specific physical test for retention of external walls and internal structural framework:

- at least 50% of the building's external walls existing at the time the rehabilitation began must remain in place as external walls at the work's conclusion, and
- at least 75% of the building's existing external walls must remain in place as either external or internal walls, and
- at least 75% of the building's internal structural framework must remain in place.

Claiming the 10% Rehabilitation Tax Credit

The tax credit must be claimed on IRS form 3468 for the tax year in which the rehabilitated building is placed in service. There is no formal review process for rehabilitations of non-historic buildings.

The 10% or 20% Credit: Which One Applies?

The 10% rehabilitation tax credit applies only to non-historic buildings first placed in service before 1936 and rehabilitated for non-residential uses. The 20% rehabilitation tax credit applies only to *certified historic structures*, and may include buildings built after 1936. The two credits are mutually exclusive.

Buildings listed in the National Register of Historic Places are not eligible for the 10% credit. Buildings located in National Register listed historic districts or certified State or local historic districts are presumed to be historic and are therefore not eligible for the 10% credit. In general, owners of buildings in these historic districts may claim the 10% credit *only* if they file Part 1 of the Historic Preservation Certification Application with the National Park Service before the physical work begins and receive a determination that the building does *not* contribute to the district and is not a certified historic structure.

Other Tax Provisions Affecting Use of Preservation Tax Incentives

A number of provisions in the Internal Revenue Code affect the way in which real estate investments are treated generally. These provisions include the *"at-risk" rules*, the *passive activity limitation*, and the *alternative minimum tax*. What these provisions mean, in practice, is that many taxpayers may not be able to use tax credits earned in a certified rehabilitation project.

A brief discussion of these matters follows. Applicants should seek professional advice concerning the personal financial implications of these provisions.

At-Risk Rules

Under Internal Revenue Code Section 465, a taxpayer may deduct losses and obtain credits from a real estate

Before

investment only to the extent that the taxpayer is "at-risk" for the investment. The amount that a taxpayer is "at-risk" is generally the sum of cash or property contributions to the project plus any borrowed money for which the taxpayer is personally liable, including certain borrowed amounts secured by the property used in the project. In addition, in the case of the activity of holding real property, the amount "at-risk" includes qualified non-recourse financing borrowed from certain financial institutions or government entities.

Passive Activity Limitation

The passive activity limitation provides that losses and credits from "passive" income sources, such as real estate

After

John Harvey House, Detroit, Michigan (1875). (opposite) Before rehabilitation; (above) After rehabilitation as a bed and breakfast. Courtesy: Marilyn Nash-Yazbeck. Photograph: Steven C. Flum, Inc.

limited partnerships, cannot be used to offset tax liability from "active" sources such as salaries. This passive activity limitation does not apply to:

- Most regular corporations.
- Real estate professionals who materially participate in a real property trade or business and who satisfy eligibility requirements regarding the proportion and amount of time spent in such businesses.

For other taxpayers, two exceptions apply: a general exception and a specific exception for certified rehabilitations.

General Passive Loss Rules

Taxpayers with incomes less than $100,000 (generally, adjusted gross income with certain modifications) may take up to $25,000 in losses annually from rental properties. This $25,000 annual limit on losses is reduced for individuals with incomes between $100,000 and $150,000 and eliminated for individuals with incomes over $150,000.

Passive Credit Exemption

Individuals, including limited partners, with modified adjusted gross incomes of less than $200,000 (and, subject to phase out, up to $250,000) investing in a rehabilitation credit project may use the tax credit to offset the tax owed on up to $25,000 of income. Thus, a taxpayer in the 33% tax bracket could use $8,250 of tax credits per year (33% x $25,000 = $8,250).

This $25,000 amount is first reduced by losses allowed under the general "passive loss" rule above for taxpayers with incomes less than $150,000.

Alternative Minimum Tax

For purposes of the rehabilitation tax credit, the alternative minimum tax does not apply to qualified rehabilitation expenditures "properly taken into account for periods after December 31, 2007."

However, for qualified rehabilitation expenditures taken into account for periods before January 1, 2008, taxpayers who are not required to pay tax under the regular tax system may still be liable for tax under the alternative minimum tax laws. Alternative minimum taxable income is computed from regular taxable income with certain adjustments and the addition of all appropriate tax preference items.

Nonrefundable credits, such as the rehabilitation tax credit, may not be used to reduce the alternative minimum tax. If a taxpayer cannot use the tax credit because of the alternative minimum tax, the credit can be carried back or forward.

Rehabilitations Involving Governments and Other Tax-Exempt Entities

Property used by governmental bodies, nonprofit organizations, or other tax-exempt entities is not eligible for the rehabilitation tax credit if the tax-exempt entity enters into a disqualified lease (as the lessee) for more than 50% of the property. A disqualified lease occurs when:

- Part or all of the property was financed directly or indirectly by an obligation in which the interest is tax-exempt under Internal Revenue Code Section 103(a) and such entity (or related entity) participated in such financing; or,
- Under the lease there is a fixed or determinable price for purchase or an option to buy which involves such entity (or related entity); or,
- The lease term is in excess of 20 years; or,
- The lease occurs after a sale or lease of the property and the lessee used the property before the sale or lease.

Other Tax Incentives for Historic Preservation

Other Federal and State tax incentives exist for historic preservation. They may be combined with the rehabilitation tax credit.

Charitable Contributions for Historic Preservation Purposes

Internal Revenue Code Section 170(h) and Department of the Treasury Regulation Section 1.170A-14 provide for income and estate tax deductions for charitable contributions of partial interests in historic property (principally easements). Generally, the IRS considers that a donation of a qualified real property interest to preserve a *historically important land area* or a

certified historic structure meets the test of a charitable contribution for conservation purposes. For purposes of the charitable contribution provisions only, a *certified historic structure* need not be depreciable to qualify, and may include the land area on which it is located.

A facade easement on a building in a registered historic district must preserve the entire exterior of the building (including its front, sides, rear, and height) and must prohibit any change to the exterior of the building that is inconsistent with its historic character. The easement donor must enter into a written agreement with the organization receiving the easement contribution, and must provide additional substantiation requirements. If the deduction claimed is over $10,000, the taxpayer must pay a $500 filing fee. For additional information, see IRS publication 526.

State Tax Incentives

A number of States offer tax incentives for historic preservation. They include tax credits for rehabilitation, tax deductions for easement donations, and property tax abatements or moratoriums. The SHPO will have information on current State programs. Requirements for State incentives may differ from those outlined here.

Tax Credit for Low-Income Housing

The Tax Reform Act of 1986 (IRC Section 42) also established a tax credit for the acquisition and rehabilitation, or new construction of low-income housing. The credit is approximately 9% per year for 10 years for projects not receiving certain Federal subsidies and approximately 4% for 10 years for projects subsidized by tax-exempt bonds or below market Federal loans. The units must be rent restricted and occupied by individuals with incomes below the area median gross income. The law sets a 15-year compliance period. Credits are allocated by State housing credit agencies. The tax credit for low-income housing can be combined with the tax credit for the rehabilitation of certified historic structures.

The Secretary of the Interior's Standards for Evaluating Significance Within Registered Historic Districts

The following Standards govern whether buildings within a historic district contribute to the significance of the district. Owners of buildings that meet these Standards may apply for the 20% rehabilitation tax credit. Buildings within historic districts that meet these Standards *cannot* qualify for the 10% credit.

1. A building contributing to the historic significance of a district is one which by location, design, setting, materials, workmanship, feeling and association adds to the district's sense of time and place and historical development.

2. A building not contributing to the historic significance of a district is one which does not add to the district's sense of time and place and historical development; or one where the location, design, setting, materials, workmanship, feeling and association have been so altered or have so deteriorated that the overall integrity of the building has been irretrievably lost.

3. Ordinarily buildings that have been built within the past 50 years shall not be considered to contribute to the significance of a district unless a strong justification concerning their historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

The Secretary of the Interior's Standards for Rehabilitation

Rehabilitation projects must meet the following Standards, as interpreted by the National Park Service, to qualify as "certified rehabilitations" eligible for the 20% rehabilitation tax credit. The Standards are applied to projects in a reasonable manner, taking into consideration economic and technical feasibility.

The Standards (36 CFR Part 67) apply to historic buildings of all periods, styles, types, materials, and sizes. They apply to both the exterior and the interior of historic buildings. The Standards also encompass related landscape features and the building's site and environment as well as attached, adjacent, or related new construction.

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.

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 historic 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 differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.

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.

Van Allen and Son Department Store, Clinton, Iowa (1913-1915). Courtesy Community Housing Initiatives, Inc.

For More Information

For more information on tax incentives for historic preservation, contact the NPS, the IRS, or one of the SHPOs listed below. Available information includes:

- NPS publications on appropriate methods to preserve historic buildings. These include *Guidelines for Rehabilitating Historic Buildings*, *Preservation Briefs*, and many others.
- The Historic Preservation Certification Application (a 3-part form: Part 1—Evaluation of Significance; Part 2—Description of Rehabilitation; Part 3—Request for Certification of Completed Work).
- Department of the Interior, National Park Service, regulations on "Historic Preservation Certifications." [36 CFR Part 67].
- Department of the Treasury, Internal Revenue Service, regulations on "Investment Tax Credit for Qualified Rehabilitation Expenditures." [Treasury Regulation Section 1.48-12].
- *Market Segment Specialization Program: Rehabilitation Tax Credit* (available only from the IRS).

National Park Service

Preservation Tax Incentives
Technical Preservation Services
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main web: www.nps.gov/tps
tax web: www.nps.gov/tps/tax-incentives.htm

Internal Revenue Service

web: www.nps.gov/tps/tax-incentives/before-apply/irs.htm

Additional IRS website: http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Rehabilitation-Tax-Credit---Real-Estate-Tax-Tips

State Historic Preservation Offices

Websites for the State Historic Preservation Offices listed below can be found at: **www.ncshpo.org**

ALABAMA, Alabama Historical Commission, 468 South Perry Street, Montgomery, AL 36130-0900, 334-242-3184. **ALASKA**, History and Archeology, Department of Natural Resources, Division of Parks and Outdoor Recreation, 550 W. 7th Avenue, Suite 1310, Anchorage, AK 99501-3565, 907-269-8721. **ARIZONA,** Office of Historic Preservation, Arizona State Parks, 1300 W. Washington, Phoenix, AZ 85007, 602-542-4009. **ARKANSAS**, Arkansas Historic Preservation Program, 1500 Tower Building, 323 Center Street, Little Rock, AR 72201, 501-324-9880. **CALIFORNIA**, Office of Historic Preservation, Department of Parks and Recreation, 1725 23rd Street, Suite 100, Sacramento, CA 95816-7100, 916-445-7000. **COLORADO**, Colorado Historical Society, Colorado History Museum, 1200 Broadway, Denver, CO 80203-2109, 303-447-8679. **CONNECTICUT**, Connecticut Commission on Culture and Tourism, History and Museums Division, One Constitution Plaza, 2nd Floor, Hartford, CT 06103, 860-256-2800. **DELAWARE**, Division of Historical and Cultural Affairs, 21 The Green, Dover, DE 19901, 302-736-7400. **DISTRICT OF COLUMBIA**, Historic Preservation Office, D.C. Office of Planning, 1100 4th Street, SW, Suite E650, Washington, DC 20024, 202-442-7600. **FLORIDA**, Division of Historical Resources, Department of State, R.A. Gray Building, 500 S. Bronough Street, Tallahassee, FL 32399-0250, 850-245-6333. **GEORGIA**, Department of Natural Resources, Historic Preservation Division, 254 Washington Street, SW, Ground Level, Atlanta, GA 30334, 404-656-2840. **HAWAII**, Hawaii Historic Preservation Office, Kakuhihewa Building, 601 Kamokila Boulevard, Kapolie, HI 96707, 808-587-0401. **IDAHO,** Idaho State Historic Preservation Office, 210 Main St., Boise, ID 83702-7264, 208-334-3847. **ILLINOIS**, Illinois Historic Preservation Agency, Preservation Services Division, One Old State Capitol Plaza, Springfield, IL 62701, 217-782-4836. **INDIANA**, Department of Natural Resources, 402 West Washington Street, Room W 274, Indianapolis, IN 46204, 317-232-0693. **IOWA**, State Historical

Society of Iowa, 600 East Locust Street, Des Moines, IA 50319-0290, 515-281-4137. **KANSAS**, Kansas State Historical Society, Cultural Resources Division, 6425 SW 6th Avenue, Topeka, KS 66615-1099, 785-272-8681. **KENTUCKY**, Kentucky Heritage Council, 300 Washington Street, Frankfort, KY 40601, 502-564-7005. **LOUISIANA**, Office of Cultural Development, PO Box 44247, Baton Rouge, LA 70804, 225-342-8160. **MAINE**, Maine Historic Preservation Commission, 55 Capitol Street, Station 65, Augusta, ME 04333-0065, 207-287-2132. **MARYLAND**, Maryland Historical Trust, 100 Community Place, Crownsville, MD 21032-2023, 410-514-7600. **MASSACHUSETTS**, Massachusetts Historical Commission, Massachusetts Archives Facility, 220 Morrissey Boulevard, Boston, MA 02125, 617-727-8470. **MICHIGAN**, State Historic Preservation Office, Michigan Historical Center, Department of History, Arts and Libraries, PO Box 30740, 702 W. Kalamazoo Street, Lansing, MI 48909-8240, 517-373-1630. **MINNESOTA**, Minnesota Historical Society, State Historic Preservation Office, 345 Kellogg Boulevard West, St. Paul, MN 55102-1906, 651-259-3000 **MISSISSIPPI**, Department of Archives and History, PO Box 571, Jackson, MS 39205-0571, 601-576-6850. **MISSOURI**, Department of Natural Resources, PO Box 176, Jefferson City, MO 65102, 573-751-7858. **MONTANA**, Montana Historical Society, 1410 8th Avenue, PO Box 201202, Helena, MT 59620-1202, 406-444-7715. **NEBRASKA**, Nebraska State Historical Society, 1500 R Street, PO Box 82554, Lincoln, NE 68501-1651, 402-471-3270. **NEVADA**, State Historic Preservation Office, 901 S. Stewart Street, Suite 5004, Carson City, NV 89701, 775-684-3448. **NEW HAMPSHIRE**, Division of Historical Resources, 19 Pillsbury Street, 2nd Floor, Concord, NH 03301-3570, 603-271-3483. **NEW JERSEY,** Mail Code 501-04B, Department of Environmental Protection, Historic Preservation Office, PO Box 420, Trenton, NJ 08625-0240, 609-984-0176. **NEW MEXICO**, State Historic Preservation Division, Office of Cultural Affairs, Bataan Memorial Building, 407 Galisteo Street, Suite 236, Santa Fe, NM 87501, 505-827-6320. **NEW YORK**, Office of Parks, Recreation and Historic Preservation, Bureau of Historic Preservation, Peebles Island, PO Box 189, Waterford, NY 12188-0189, 518-237-8643. **NORTH CAROLINA**, Office of Archives and History, 4617 Mail Service Center, Raleigh, NC 27699-4617, 919-807-6570. **NORTH DAKOTA**, State Historical Society of North Dakota, ND Heritage Center, 612 East Boulevard Ave., Bismarck, ND 58505, 701-328-2666.

OHIO, Historic Preservation Office, Ohio Historical Society, 800 East 17th Avenue, Columbus, OH 43211-2474, 614-297-2300. **OKLAHOMA**, State Historic Preservation Office, Oklahoma History Center, 800 Nazih Zuhdi Drive, Oklahoma City, OK 73105-7917, 405-521-6249. **OREGON**, Oregon Historic Preservation Office, 725 Summer St. NE, Suite C, Salem OR 97301, 503-986-0690. **PENNSYLVANIA**, Pennsylvania Historical and Museum Commission, Bureau for Historic Preservation, Commonwealth Keystone Building, 400 North Street, 2nd floor, Harrisburg, PA 17120-0202, 717-783-8946. **COMMONWEALTH OF PUERTO RICO**, State Historic Preservation Office, PO Box 9023935, San Juan, PR 00902-3935, 787-721-3737. **RHODE ISLAND**, Rhode Island Historical Preservation and Heritage Commission, Old State House, 150 Benefit Street, Providence, RI 02903, 401-277-2678. **SOUTH CAROLINA**, Department of Archives and History, 8301 Parklane Road, Columbia, SC 29223-4905, 803-896-6196. **SOUTH DAKOTA**, South Dakota State Historical Society, 900 Governors Drive, Pierre, SD 57501-2217, 605-773-3458. **TENNESSEE**, Tennessee Historical Commission, 2941 Lebanon Road, Nashville, TN 37243-0442, 615-532-1550. **TEXAS**, Texas Historical Commission, PO Box 12276, Austin, TX 78711-2276, 512-463-6100. **UTAH**, Utah State Historical Society, 300 S. Rio Grande, Salt Lake City, UT 84101-1106, 801-533-3500. **VERMONT**, Vermont Division for Historic Preservation, National Life Building, Drawer 20, Montpelier, VT 05620-0501, 802-828-3047. **VIRGIN ISLANDS**, Virgin Islands State Historic Preservation Office, Dronningens Gade 71&72A, Kongens Quarter, Charlott Amalie, St. Thomas, VI 00802, 340-776-8605. **VIRGINIA**, Department of Historic Resources, 2801 Kensington Avenue, Richmond, VA 23221, 804-367-2323. **WASHINGTON**, Department of Archaeology and Historic Preservation, PO Box 48343, Olympia, Washington 98504-8343, 360-586-3065. **WEST VIRGINIA**, Division of Culture and History, 1900 Kanawha Boulevard East, Capitol Complex, Charleston, WV 25305-0300, 304-558-0220. **WISCONSIN**, Division of Historic Preservation - Public History, Wisconsin Historical Society, 816 State Street, Madison, WI 53706, 608-264-6491. **WYOMING**, State Historic Preservation Office, Division of Cultural Resources, Wyoming State Parks and Cultural Resources, Barrett Building, 3rd Floor, 2301 Central Avenue, Cheyenne, WY 82002, 307-777-7697.

PLEASE NOTE

The Historic Preservation Tax Incentives brochure has not been revised to reflect any changes that may be necessary related to Public Law No: 115-97 (December 22, 2017).

Public Law No: 115-97 amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. Section 13402 modifies the 20% Historic Rehabilitation Tax Credit and provides certain transition rules. These and other changes to the Internal Revenue Code may affect a taxpayer's ability to use the 20% tax credit. The law also repeals the10% credit for rehabilitating non-historic buildings. The text of Public Law No: 115-97 is available at www.congress.gov.

Applicants requesting historic preservation certifications by the National Park Service, as well as others interested in the use of these tax credits, are strongly advised to consult an accountant, tax attorney, or other professional tax adviser, legal counsel, or the Internal Revenue Service regarding the changes to the Internal Revenue Code related to Public Law No: 115-97.