



Historic Preservation Tax Credit

What is it?

The Tax Reform Act of 1986 provides a 20% federal income-tax credit for owners of income-producing, historic buildings that undergo substantial rehabilitations. A credit equal to 20% of a rehabilitation's qualified expenditures may be subtracted directly from the owner's federal income taxes. Housed within the National Park Service (NPS), the Historic Preservation Tax Credit program is administered in Illinois by the Illinois State Historic Preservation Office (IL SHPO).

Benefits

The program benefits the owner, the occupants, and the community by: ► encouraging the preservation of historic buildings through promotion, recognition, designation and reuse; ► increasing the value of rehabilitated properties; ► returning underutilized structures to the tax rolls; ► revitalizing downtowns and neighborhoods and often increasing the amount of available housing within the community; and ► sustainably reusing the built environment.

Provisions

To qualify for the Tax Credit, the following must be met: ► the building must be listed individually on the National Register or contribute to a historic district that is either listed on the National Register or certified by the NPS for the purposes of the Tax Credit program; ► the building must be used for income-producing purposes, such as rental-residential, commercial, agricultural, and/or industrial; ► the rehabilitation (both interior and exterior) must meet the Secretary of the Interior's "Standards for Rehabilitation"; and ► the project budget must exceed the greater of the building's adjusted basis (roughly the current depreciated value of the building, not including land) or \$5,000 either within a 24-month period or within a 60-month period as long as phased plans are approved in advance.

How to apply

Step 1: Determine if your property is historic, and contact the IL SHPO ► Determine the building's adjusted basis, and decide whether rehabilitation costs will exceed it. ► Ask the IL SHPO if your property qualifies as a certified historic structure. ► Consult the IL SHPO's website and submit Part 1 of the application. The IL SHPO will usually schedule a site inspection, which is strongly recommended before construction begins. **Step 2: Get your planned work approved** ► Submit Part 2 of the application to the IL SHPO, along with proposed plans and photographs showing the pre-construction condition of the building. The IL SHPO will advise whether the scope of work meets the "Standards." ► The IL SHPO will submit the Part 2 with its recommendations to the NPS for review. ► When the NPS approves your Part 2, you can begin construction. Contact the IL SHPO with any questions or if there are changes during construction. **Step 3: Get your finished work approved** ► When construction is complete, send the Part 3 and post-construction photographs to the IL SHPO. ► The IL SHPO will determine if the work meets the "Standards," then will submit the Part 3 with its recommendations to the NPS. ► If the NPS agrees that the project meets the "Standards" it will certify the rehabilitation.

Important points

Owners are strongly advised to contact the IL SHPO prior to any construction or demolition. ► Any work undertaken prior to approval is completely at the owner's risk and could disqualify a project for the tax credit if it does not meet the "Standards." ► NPS charges application review fees and cannot review the applications until the fees are paid. There is no fee for projects with qualified expenditures under \$80,000. For projects with qualified expenditures above \$80,000, the fee varies between \$845 and \$6,500. ► If, during the five-year period following the claiming of the credit, the property is sold, or its use changes from income-producing, or the property is altered in a manner not meeting the "Standards," the certification may be revoked and a prorated portion of the tax credit recaptured by the IRS. ► The Secretary of the Interior's "Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings" are used by the NPS and IHPA to evaluate whether changes to a historic structure respect its historic features.

Questions?

IL SHPO—Tax Incentives Coordinator
 Illinois Department of Natural Resources
 1 Natural Resources Way
 Springfield, Illinois 62702
 (217) 524-0276
<http://www2.illinois.gov/ihpa/Preserve/Pages/taxcredits.aspx>