

HISTORIC REHABILITATION INCOME TAX CREDITS

STATE AND FEDERAL PROGRAMS

These programs allow for an income tax credit equivalent to 20% of an approved rehabilitation's expenses for homes and businesses that are over 50 years old and retain their historic integrity. Residential rentals can sometimes qualify for both programs, effectively resulting in a 40% tax credit. Both programs have their own set of requirements and application processes. Visit: <https://history.utah.gov/shpo/financial-incentives/>

SHARED BASIC REQUIREMENTS:

- By the close of the project the building **must be listed** on the National Register of Historic Places, either individually or within a Historic District. Please contact us to find out if it is already listed.
- All of the rehabilitation work **must comply** with the [Secretary of the Interior's Standards for Rehabilitation](#). "Basic Do's and Don'ts" are included on the following page.

SEPARATE BASIC REQUIREMENTS:

<u>State Historic Tax Credit Program</u>	<u>Federal Historic Tax Credit Program</u>
Basic Requirements: <ul style="list-style-type: none">→ Building must be residential, but does not need to be owner-occupied.→ Must be spending at least \$10,000 on an approved rehabilitation	Basic Requirements: <ul style="list-style-type: none">→ Building must be income-producing (commercial or residential rental)→ Must be spending at least the "adjusted basis"*** of the building on an approved rehabilitation

HELPFUL HINTS:

- Contact Tax Credit Program Manager, Amber Anderson, amberanderson@utah.gov **prior** to the work beginning.
- Submit Part 1 & Part 2 applications **PRIOR TO BEGINNING WORK** whenever possible. (You legally must submit prior to finishing work.) One ineligible work item can disqualify a whole project.

**Adjusted basis for Federal projects equals:

(purchase price of the property) – (value of the land at time of purchase) – (depreciation taken since owning the property) + (cost of any capital improvements made to the building since purchase)

BASIC DOS AND DON'TS

DO:

- ➔ Communicate with our office early and often to ensure that your project will qualify.
- ➔ Submit a Part 1 & 2 application before beginning work if possible.
- ➔ Provide details and an explanation for proposed treatments. If a proposal is not something we can approve, we usually have an alternative suggestion.
- ➔ Maintain character-defining features of a building; Always repair before replace.
- ➔ When replacement or repair is necessary, use products that are compatible with historic materials. Our office can advise on this. For example, historic stucco and mortar were made with soft breathable lime-based materials unlike modern day cement-based products. Using a stiff modern product on a historic building can trap moisture, prevent natural expansion and contraction, and lead to further damage.
- ➔ Stabilize and repair versus remove. For example, a damaged chimney can often be repaired in place and braced to prevent future damage.
- ➔ Pay attention to interior finishes, features, and floor plan as well. This program requires that the *Standards* are met on the inside as well as the outside.

DON'T:

- ➔ Proceed with your project without communicating with our office. This could lead to doing work that will disqualify you from the tax credit.
- ➔ Wait to submit an application until after the work is complete. Waiting until the work is totally complete *will* disqualify your project. Waiting until it is mostly complete *could* disqualify you.
- ➔ Leave out details and an explanation for why you are proposing something. We can work with you in terms of finding the right solution.
- ➔ Remove or replace original features, such as windows, chimneys, exterior or interior finishes, etc. Replacement is permitted in some circumstances but must always be done with historically appropriate and compatible products.
- ➔ Assume well-known products from home improvement stores will be approved. Basic vinyl windows and mortar off the shelf are often not appropriate for a historic building and might disqualify your project.
- ➔ Remove features that are prone to earthquake damage, such as chimneys and parapets. These can often be braced and stabilized with minimal intervention. These are often character-defining features of a building and their removal could jeopardize the tax credit.
- ➔ Assume that the interior doesn't matter and doesn't have to meet the same *Standards*. This is incorrect. We typically prioritize exterior closely followed by primary interior spaces (entryways, rooms at the front of the house, major corridors and staircases, etc.) and then followed by secondary and tertiary interior spaces (bathrooms, kitchens, etc.).

Tax Credit Program Coordinator: Amber Anderson, amberanderson@utah.gov 801-245-7277

Additional information as well as applications can be viewed here: <https://history.utah.gov/shpo/financial-incentives/>