

# HISTORIC REHABILITATION TAX CREDIT

The Federal Rehabilitation Tax Credit offers a unique incentive to taxpayers who directly rehabilitate or invest in the rehabilitation of buildings with historic significance as defined by the tax credit. Since 1981, the tax credit has generated billions of dollars of investment in old buildings. Previously, these buildings would have been torn down but now have become anchors for economic development and rehabilitation, particularly in downtown areas across the nation. The goal of the rehabilitation credit is not to preserve a building as a museum, but to put it back to use to meet current housing, retail, commercial and industrial needs.

## ***BENEFITS***

Federal Income Tax credit equal to 20% of the cost of rehabilitation of historic buildings. The rehabilitation of buildings constructed prior to 1936 for commercial use are eligible for a lesser 10% tax credit. These credits provide a **dollar-for-dollar reduction of income tax owed**.

## ***ELIGIBILITY***

The credit is available to the owners and, in certain situations, renters of a qualified rehabilitated building. Renters may obtain the credit for rehabilitation expenditures that they have incurred, provided that the lease term remaining on the date of the rehabilitation is completed is at least 27.5 years for a residential building or 31.5 years for a non residential building.

Eligibility for the 20% credit for all income-producing properties:

- ❖ Listed individually in the *National Register of Historic Places*, or
- ❖ Located in a National Register Historic District and certified by the *Secretary of the Interior* as being of historical significance to the district. Application forms will require proof of meeting *Interior* specifications (*Contact the LA Division of Historic Preservation at (225) 342-8160 for more information*).
- ❖ An amount equal to the “adjusted base value” must be spent on architects’ fees and improvements. The adjusted base value is **the purchase price minus the realtor’s appraisal of the land**.

Eligibility for the 10% credit for commercial properties:

- ❖ The building must have been constructed before 1936.
- ❖ An amount equal to the “adjusted base value” must be spent.

While the credit is available for qualified rental residential buildings, it is not available for homes or apartments occupied by their owners. **All properties must be income producing.**

Eligibility for either the 20% or 10% credit **requires a substantial rehabilitation at least equal to the purchase price minus the appraised value of the land.**

(Over)

## ***APPLICATION PROCEDURES***

- ❖ Obtain the Historic Preservation Certification Application for buildings listed on the National Register or in a National Register Historic District from the Louisiana Division of Historic Preservation (address below).

Part 1: for the 10% rehabilitation credit (non-historic buildings built before 1936)

Part 2: for the 20% rehabilitation credit (certified historic buildings)

- ❖ The application **MUST** be filed before the project is complete. The Louisiana Division of Historic Preservation and the national Park Service both review the project to insure that the work complies with NPS guidelines, and both strongly urge taxpayers to file applications before work begins to ensure that the plans meet the guidelines.

## ***FOR ADDITIONAL INFORMATION***

**Nicole Hobson**  
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**Office of Cultural Development**  
**P O Box 44247**  
**Baton Rouge, LA 70804**  
**Tel: (225) 342-8160**  
**Fax: (225) 342-8173**  
**<http://www.crt.state.la.us/crt/ocd/hp/ocdhp.htm>**

Source: "A Guide to Tax-Advantaged Rehabilitation" (National Trust for Historic Preservation)  
Office of Cultural Development, State of Louisiana

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