



Historic Preservation Tax Incentives for Income-Producing Properties

Federal and state rehabilitation tax credits provide jobs, bolster the tax base, and revitalize existing buildings and infrastructure, while preserving the state's priceless historic character. These programs, administered by our office, the State Historic Preservation Office, in conjunction with the National Park Service, encourage the conservation of North Carolina's historic resources.

Owners and developers may potentially receive a 20% federal income tax credit and a 15-25% state income tax credit for certified rehabilitations of income-producing historic structures.



Example for Income-Producing Properties

$$\begin{array}{r} \$1,000,000 \text{ Rehabilitation Expenses} \\ 20\% \text{ Federal Tax Credit} \\ \times \quad 15\% \text{ Base Level State Tax Credit } * \\ \hline \$350,000 \text{ Tax Credit Amount } ** \end{array}$$

* The state tax credit is graduated according to project budget. For the first \$10M in qualified rehabilitation expenditures, the credit is 15%. For the next \$10M in qualified rehabilitation expenditures (i.e., up to \$20M), the credit is 10%. There is no tax credit for qualified rehabilitation expenditures exceeding \$20M.

** The following **bonus state tax credits** are potentially available to property owners and developers:

- **5% Development Tier Bonus** for projects in Tier 1 or 2 Counties with qualified rehabilitation expenditures up to \$20M.
- **5% Targeted Investment Bonus** for manufacturing or agricultural properties at least 65% vacant for two years preceding eligibility certification, and with qualified rehabilitation expenditures up to \$20M. Eligibility certification for this bonus credit is made by the State Historic Preservation Officer.

Eligibility

- Buildings listed in the **National Register of Historic Places**, either individually or as a contributing building in a National Register Historic District, are candidates. Contributing buildings within one of the state's three Certified Local Historic Districts in Raleigh, Goldsboro, or Madison, are also candidates.
- The rehabilitation of the historic structure must be substantial. For income-producing properties, the rehabilitation expenses must exceed the greater of the adjusted basis of the building, or \$5,000 within a 24-month period (for phased projects, a 60-month period).
- All rehabilitation work must meet **The Secretary of the Interior's Standards for Rehabilitation**. Applications are subject to a joint review by the State Historic Preservation Office and the National Park Service, with final authority resting with the National Park Service.

The Secretary of the Interior's Standards for Rehabilitation were developed to determine the appropriateness of proposed project work on National Register listed properties and have been widely used since 1976. The intent of the Standards is to promote the long-term preservation of a property's significance through the preservation of historic materials and features on the exterior and interior of buildings. They also encompass related landscape features and the building's site and environment, as well as attached, adjacent, or related new construction.

Application Process

Property owners are strongly advised to consult with our office before beginning a rehabilitation to resolve potential design and rehabilitation problems that could result in the denial of the credits.

There is a three-step application process. Applications are submitted by the owner for review by the State Historic Preservation Office (HPO), which provides technical assistance on appropriate rehabilitation treatments, application advice, and potential site visits. The HPO forwards the application to the National Park Service (NPS) with a recommendation. NPS reviews the rehabilitation project for conformance with *the Standards* and issues a certification decision.

- **Part 1 – Evaluation of Significance**

Provides documentation that the building contributes to a National Register Historic District or property. No documentation is needed for single buildings individually listed in the National Register.

- **Part 2 (Federal) and Part A (State) – Description of Rehabilitation**

Consists of detailed descriptions of existing conditions and the proposed work, overall before rehabilitation photos, and plans or drawings, as needed, to fully describe the scope of the rehabilitation project.

- **Part 3 (Federal) and Part B (State) – Request for Certification of Completed Work**

Consists of after photos documenting the rehabilitated property.

Claiming the Credit

- The credits cannot be claimed against the cost of acquisition, new additions (volume increase), site work, or personal property. Generally, costs incurred for rehabilitating the existing structure will qualify as rehabilitation expenses.
- Property owners must begin claiming the tax credit(s) in the year the building is placed into service. The federal tax credits must be claimed over a period of five years, minimum, and may be applied to tax returns one year before, and up to twenty years after, the building is placed into service.
- The state tax credits may be claimed entirely the year the structure is placed in service, or carried forward up to nine years.

Taxpayers should consult a tax advisor, NC Department of Revenue, or the Internal Revenue Service for help in determining tax and other financial implications.

A property is listed in the **National Register of Historic Places** by a nomination prepared according to detailed state and federal guidelines. Although all nominations are reviewed by the State Historic Preservation Office, the final authority on National Register listing is the Keeper of the National Register in Washington, D.C. Most nominations are prepared by private consultants hired by property owners, local governments, or private non-profit organizations. The nomination process typically takes a minimum of six months, and may take much longer. For information about the National Register of Historic Places, and the requirements and procedures for listing, please contact our office.



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— For program information, contact Tim Simmons, Senior Preservation Architect and Income-Producing Tax Credit Coordinator at tim.simmons@ncdcr.gov or 919-807-6585.

— For application materials, contact Jannette Coleridge-Taylor, Program Assistant at jannette.coleridge-taylor@ncdcr.gov or 919-807-6590.

— For information on the state non-income-producing, or residential, rehabilitation tax credit program, visit the HPO website at <http://hpo.ncdr.gov/tchome.htm>.