

## Rehabilitation Tax Credit Program

### INTRO TO REHAB TAX CREDITS

Owners often request information from our office on ways they can get financial assistance to rehab their historic properties. One of the most useful and successful programs to help them is the Federal Historic Rehabilitation Tax Incentive program. This program provides owners a tax credit (that's money back in your pocket) of up to 20% of qualifying rehab costs.



McConnell Building, Moscow (\$175,000) 1984

The Historic Rehabilitation Tax Incentives program is a joint program between the **National Park Service (NPS)**, the **Internal Revenue Service (IRS)**, and the **State Historic Preservation Office (SHPO)**. The **IRS** regulates the financial and legal aspects of the program, such as total expenditures and filing. The **NPS** bases its approval on the historic integrity of the building, character defining features, and the Secretary of the Interior's Standards for Rehabilitation (SOI for Rehab). The **SHPO** helps applicants through the process, evaluates prospective buildings for historic significance, identifies character defining features, and completes a preliminary review of the project. All pieces of the application are reviewed and processed via the SHPO and then forwarded to the NPS. SHPO acts as the liaison between the applicant and NPS. For specific questions regarding

the IRS regulations, SHPO will provide the IRS contact.

Any person, firm, partnership, limited liability corporation, or other business entity that owns a historic building may be eligible for the credit.

**If you are interested in learning more about the program, please contact the State Historic Preservation Office at 208-488-7461.**



Drift Inn, Rupert (\$500,000) 2010

### PROGRAM BENEFITS

The most direct benefit is the owner's 20% tax credit for federal income taxes. This program is recognized as a catalyst for economic revitalization; it encourages investment, provides jobs, and keeps buildings on the tax rolls.

### QUALIFYING FOR 20% TAX CREDIT

**1. The historic building must be individually listed in the National Register of Historic Places or be contributing to a "registered historic district."**

Buildings must be listed in the National Register of Historic Places. Contact SHPO to find out if your building is listed.

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You can request the NPS to designate your building a "certified historic structure" by completing and submitting Part 1 of the Application.

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### 2. The project must meet the "substantial rehabilitation test."

This means that the cost of rehabilitation must exceed the pre-rehabilitation cost of the building. The cost of a project must exceed the greater of \$5,000 or the building's adjusted basis. The following formula will help you determine if your project will be substantial:

#### **A - B - C + D = adjusted basis**

A = purchase price of the property (building and land)

B = the cost of the land at the time of purchase

C = depreciation taken for an income-producing property

D = cost of any capital improvements made since purchase

#### TYPICAL QUALIFYING WORK:

- The tax credits apply to repairs to; walls, masonry, finishes, floors, ceiling, windows and doors, chimneys, stairs and roofs;
- Components of HVAC systems, plumbing and fixtures, electrical wiring and lighting fixtures;
- Elevators, sprinkler systems, fire escapes and other mechanicals.

Landscaping, fencing, additions, garage rehabilitation or other work outside the historic building generally **do not** qualify.

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### 3. The rehabilitation work must be done according to the Secretary of the Interior's Standards for Rehabilitation.

These principles, when followed, ensure the historic character of the building has been

preserved in the rehabilitation.



**Simpson and Co. Building, Twin Falls  
(\$1,700,000) 2008**

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### 4. After rehabilitation, the historic building must be used for an income-producing purpose for at least five years. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit.

The 20% credit is available only to properties rehabilitated for income-producing purposes, including commercial, industrial, agricultural, rental residential or apartment use. The credit cannot be used to rehabilitate your private residence.

**For more information, contact the SHPO:  
(208) 488-7468**

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#### For More Information Contact:

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