

Rehabilitation Tax Credits

Historic Properties and the State and Federal Preservation Tax Credit Programs

Revised 3/13/07

	FEDERAL	STATE
Amount of credit	20% of eligible expenses	25% of eligible expenses
Eligible Property Types	Income Producing (commercial or rental residential) (not owner-occupied residential)	Income Producing (commercial or rental residential) or Owner Occupied (Owner Occupied = Residential)
Certified Historic Structure	Individually Listed on NRHP or Contributes to a NRHP Historic District (must actually be listed before credit can be claimed)	Individually listed on VLR or Contributes to a listed VLR Historic District or has been evaluated as <i>eligible</i> for individual listing on the VLR
The Secretary of the Interior's Standards For Rehabilitation	Rehabilitation work must be consistent with the Secretary of the Interior's <i>Standards for Rehabilitation</i> .	
Cost Threshold	Improvements must be more than 100% of the owner's adjusted basis in the building (The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.) or \$5,000 – whichever is greater.	<i>For Owner-Occupied Residential Properties:</i> Expenses must be <u>at least 25%</u> of the assessed value of the building for the year before the rehabilitation was begun. <i>For All Other Buildings:</i> Expenses must be <u>at least 50%</u> of the assessed value of the building for the year before the rehabilitation was begun.
Eligible Rehabilitation Costs (Capital Expenses) A capital expense is something that will increase the value of the property.	Include construction costs and some soft costs – does not include the cost of new construction beyond the shell of the building, site work, or personal property.	Include construction costs and some soft costs – does not include new construction beyond the shell of the building, site work, or personal property. Rehabilitation of historic manmade landscape elements which contribute to the significance of the property (e.g. historic fences, walls, garden structures) may be eligible.
Transfer of Credits	Credits <u>cannot</u> be transferred, but can be syndicated or "passed through" to investors if a proper/qualified ownership structure is established.	
Allocation of Credits	In a limited liability partnership, credits are allocated according to percentage of ownership.	In a limited liability partnership, credits are allocated according to agreement among partners.

Recapture of Credits	If a rehabilitated property is sold, or loses its status as income producing within 5 years of completion of the rehabilitation, a portion of credits claimed will be subject to prorated recapture by the IRS.	There is no holding period for the state credit. The building may be sold any time after the rehabilitation without recapture of the credit.
Claiming Credits	If you cannot use up the full amount of credit in the first year, it can be carried forward for up to 20 years, and back 1 year.	If you cannot use up the full amount of credit in the first year, it can be carried forward for up to 10 years. There is no carry-back.
The Part 1 Application	The Part 1 must be submitted before the work is completed.	Part 1, as well as Parts 2 and 3, must be submitted within 1 year of the completion date.
Phasing Plans	The phasing plan must be submitted before the work begins.	The phasing plan may be submitted with the Part 2 application even if the work has already begun.
The 10% Tax Credit	Under the Federal program, income-producing properties built before 1936 may qualify for a 10% tax credit if they are not listed on the National Register either individually or as a contributing resource within a National Register Historic District.	

NRHP = National Register of Historic Places
VLR = Virginia Landmarks Register