



For more information

This brochure is a brief overview of the federal tax credit program for rehabilitating historic properties. More detailed information can be found in "Tax Aspects of Historic Preservation" (September 1999), available from Urban Design and Historic Preservation. You can also call or write the Florida Division of Historic Resources at:

Architectural Preservation Services, 4th
Floor
Florida Division of Historic Resources
R.A. Gray Building
500 South Bronough Street,
Tallahassee, FL 32399
(800)847-7278.



If you have any questions about the City's historic preservation program, please call Rick D. Smith, the City of St. Petersburg's Historic Preservation Planner (727)893-7153 or write:

City of St. Petersburg
Urban Design and Historic Preservation Division
Box 2842
St. Petersburg, FL 33731

TAX INCENTIVES FOR HISTORIC PRESERVATION: THE FEDERAL REHABILITATION TAX CREDIT

FREQUENTLY ASKED QUESTIONS ABOUT
THE EFFECTS AND BENEFITS OF
HISTORIC DESIGNATION



What is the federal tax credit for rehabilitating historic properties?

A taxpayer renovating a historic building may qualify for a tax credit equal to 20 percent of eligible rehabilitation costs. The property must be a certified historic structure, used for income-producing purposes, and the rehabilitation must be certified as consistent with the historic character of the property. A “certified historic structure” is one listed on the National Register of Historic Places or contributing to a National Register historic district.

How do I apply? The Florida Division of Historical Resources (DHR) administers the program on behalf of the National Park Service. First, you must complete a “Part I - Evaluation of Significance” to determine if your property is eligible for the exemption. Next, you must submit a “Part II-Description of Rehabilitation” detailing all aspects of the project. Finally, after finishing the work, you must submit a “Request for Review of Completed Work.”

Are there any tax credits available to older properties not listed on the National Register of Historic Places? A 10 percent renovation tax credit is also offered to owners of commercial properties not listed on the National Register, but placed in service before 1936. These buildings must be certified as nonhistoric by the National Park Service and meet the following conditions after renovation: 1) 50% or more of the existing external walls are retained in place as external walls; 2) 75% or more of the existing external walls are retained in place as internal or external walls; and 3) 75% or more of the existing internal structural framework is retained in place.

Can I apply for the tax credit after completing work on my historic property?

Yes, if the building is individually listed on the National Register. If the property is within a National Register historic district, you must first submit a Part I application to DHR on or before the date the property is placed in service to determine if the building is a historic structure. Otherwise, you are not eligible for the tax credit.

How extensive does the work need to be for me to claim the credit? The property must be substantially rehabilitated, meaning during a 24-month period selected by the taxpayer, rehabilitation expenses must exceed the greater of the adjusted basis of the building (cost of property minus land) and its structural components, or \$5,000. If the rehabilitation is completed in phases, the same rules apply, except that instead of a 24-month period, a 60-month period is substituted. Some rules apply for a property to be eligible for phasing.

What costs are not eligible for the tax credit? Costs of acquiring the building or interest therein, enlargement or new construction costs that expand the total volume of the existing building, expenditures attributable to site work such as parking lots, sidewalks, fencing, and landscaping, appliances, cabinets, decks, feasibility studies, and financing fees.

What costs are eligible for the tax credit? Any expenditure for a structural component of a building including walls, partitions, floors, ceilings, permanent coverings such as tile or paneling, windows and doors, HVAC, plumbing, wiring and fire escapes. In addition, there are some “soft costs” which qualify

including construction interest and taxes, architect and engineering fees, construction management costs, reasonable developer fees, and any other fees paid to a capital account.

Are there circumstances where I would be required to return the tax credit? The rehabilitation tax credits are subject to recapture if the building is sold or ceases to be business use property. The amount of such recapture is reduced by 20 percent for each full year that elapses after the property is placed in service. No recapture is required after five years.

Are there provisions within the Internal Revenue Code that could prevent me from using the federal rehabilitation tax credit? Yes. Certain provisions within the Internal Revenue Code can impact full use of the rehabilitation tax credit. These include alternative minimum tax, tentative minimum tax, and passive activity rules. Consequently, taxpayers may not be able to use the entire credit available to them in any given tax year. For more information, contact the Florida Division of Historic Resources.

How can a property owned by a tax exempt entity utilize rehabilitation tax credits? Usually, the tax credit cannot be used by a tax exempt entity. In some instances, tax exempt entities are involved in rehabilitation projects by forming a limited partnership and maintaining a minority ownership interest as a general partner. In these situations, the limited partners would be entitled to the rehabilitation tax credit and the tax exempt entity is able to ensure their organizational goals are being met.