

PRESERVATION TAX CREDITS

15 August 2003

What are preservation tax credits?

Tax credits are designed to encourage the rehabilitation and re-use of older buildings. Federal and state laws provide tax incentives for historic preservation projects that follow the *Secretary of the Interior's Standards for Rehabilitation* (see page 5).

How do I know if my building is eligible for a tax credit?

To be eligible for tax credits, the building must be considered historic. Your building may already be designated as a *historic structure* by your town, the state, and/or the federal government. The Colorado Historical Society (303-866-4670) can tell you if your building has been designated as such. The Society can also help you if you need to designate your property as a *historic structure*.

The 10% Federal Tax Credit differs in that it is only available to buildings that have officially been determined *non-historic*. The National Park Service is generally responsible for making this determination.

There are also some requirements based on the use of the building. State Tax Credits are available for all historic buildings. The Federal Tax Credits are only available if the building is used for business (or rental) purposes.

What types of tax credits are available?

There are three kinds of tax credits available in Colorado:

1. 20% Federal Income Tax Credit
2. 10% Federal Income Tax Credit
3. 20% State Income Tax Credit

The federal government offers a 20% investment tax credit for the approved rehabilitation of certified historic buildings used for income-producing purposes as well as a 10% credit for certain other older buildings. The state offers a similar 20% state income tax credit based on \$5,000 or more of approved preservation work on designated properties.

Applicants are urged to contact OAHP (Office of Archaeology and Historic Preservation: 303-866-3741) staff as early as possible when considering an application for eligible federal or state tax credits. OAHP provides advice to property owners, developers, and architects concerning appropriate preservation and rehabilitation measures. OAHP staff review applications for tax incentives and make recommendations for approval.

Preservation Tax Credits - Programs Available in Colorado

	Federal 20%	Federal 10%	State 20%
Building Status	Listed individually in the National Register; OR considered eligible for listing; OR a contributing building in a historic district listed in the National Register	Built before 1936; not individually eligible for listing in the National Register; AND not contributing to a historic district	More than 50 years old; listed in the State Register OR landmarked by the CLG
Building Use	Income-producing properties, including commercial, industrial, agricultural, or rental residential	Income-producing (non-residential)	All buildings meeting the requirements listed above
Minimum Costs	More than \$5,000 OR the adjusted basis of the property, whichever is greater	More than \$5,000 OR the adjusted basis of the property, whichever is greater	More than \$5,000
Maximum Credit	Unlimited	Unlimited	\$50,000
Time Limit	24 months; if in phases, 60 months total	N/A	24 months
Credit Carry-over	20 years (also back one year)	20 years (also back one year)	10 years
Rehab Requirements	Must follow the <i>Secretary of the Interior's Standards for Rehabilitation</i> (see page 5)	50-75% of the building's walls must remain	Must follow the <i>Secretary of the Interior's Standards for Rehabilitation</i> (see page 5)
Fees	\$250 for Part 2; \$500-\$2,500 for Part 3 (depending on rehabilitation costs)	None	\$250 for Part 1 (may be waived in some cases); \$250-\$750 for Part 2 (depending on rehab costs)
Review Agencies	State Historic Preservation Office, National Park Service, IRS	IRS	CLG or the State Historic Preservation Office, State Dept. of Revenue
When Credits can be Claimed	The year in which the building is placed in service; for phased projects & buildings open during work, the year substantial rehabilitation test is met	The year in which the building is placed in service; if building is open during work, the year substantial rehabilitation test is met	The year work is completed; official verification (Part 2) is needed
Process	Part 1 determination of eligibility (if needed) Part 2 reviewed; Part 3 reviewed; Project certified File IRS Form 3468	Part 1 determination of non-eligibility (if needed) Project approved File IRS Form 3468	Part 1 reviewed by CLG or SHPO; Part 2 reviewed (and project certified) by CLG or SHPO *No application needed if also claiming 20% federal credit

How are tax credits calculated?

The credit is a percentage (10%, 20%) of your qualified rehabilitation costs. Qualified rehabilitation costs include most expenses related to the physical preservation of the property - new or repaired walls, floors, ceilings, windows, etc. For more details, please refer to the *Preservation Tax Credits* section on the OAHp web site (www.coloradohistory-oahp.org).

How do I claim the tax credits?

There is an application process for each type of tax credit. The application is reviewed and certified (approved) by the appropriate agency. The 20% Federal Tax Credit is a 3-part application, reviewed by the Colorado Historical Society and the National Park Service. The 20% State Tax Credit is a 2-part application, reviewed by either the Colorado Historical Society or a local preservation organization. The 10% Federal Tax Credit is a 1-part application, reviewed by the Internal Revenue Service.

A more detailed explanation of the application process can be found at *the Preservation Tax Credits* section of the web site. The applications are reviewed using *The Secretary of the Interior's Standards for Rehabilitation*. Your project does not have to be a museum-quality restoration. Most tax credit projects are actually rehabilitations, in which an older building is rehabilitated and updated. The Standards provide guidelines on how to update your property while protecting and enhancing the qualities which make it historic.

How do I order a plaque for my listed property?

If you are interested in obtaining a plaque recognizing your property's official designation, there are a number of sources listed on the OAHp web site from which to order (www.coloradohistory-oahp.org).

The Colorado Historical Society does not have a standard marker program for listed properties. You may design and order any type of marker which best fits your needs.

The Colorado Historical Society and the State Historic Preservation Officer do not endorse any suppliers nor can we guarantee the prices or descriptions quoted. We supply plaque sources as a service to you.

Where can I get more information concerning tax credits?

Please refer to the OAHp web site (www.coloradohistory-oahp.org) for additional information concerning both federal and state tax credits. You may also call Joseph Saldibar, the Architectural Services Coordinator at OAHp (303-866-3741; joseph.saldibar@chs.state.co.us) with questions or for additional information.

What are the *Secretary of the Interior's Standards for Rehabilitation* ?

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Did You Know...

- That Colorado was one of the first states to offer a State Income Tax Credit for Historic Preservation?
- That more than 90% of all Colorado state tax credit applications are reviewed locally by one of the 31 Certified Local Governments (CLGs) in Colorado?
- That more than 400 rehabilitation projects have taken advantage of the State Tax Credit since 1991?
- That 90% of the State Tax Credit rehabilitation projects involve private homes?
- That the rehabilitation of buildings using the Federal Tax Credit has created nearly 2,000 housing units in Colorado, including more than 1,000 low-income units?
- That nationwide, more than \$3.2 billion was invested in tax credit-related projects in 2002?
- That since 1981, historic rehabilitation and preservation projects have created more than 21,000 jobs in Colorado?