

# ***FYI – For Your Information***

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## ***Historic Preservation Income Tax Credit***

### **GENERAL INFORMATION**

Colorado offers an income tax credit for the preservation and rehabilitation of a qualified historic property. The structure must be at least 50 years old, and must be designated as a historic property in the State Register of Historic Places, or as a landmark by a certified local government, or as contributing property in the State Register of Historic Places, or designated district of a certified local government. If the property on which you want to claim this credit has neither designation, you must apply for and secure such a designation. [§39-22-514 C.R.S.]

### **HOW TO QUALIFY**

In order to qualify for the historic preservation income tax credit, you must be the property owner or tenant with a lease of five or more years duration. The project must involve physical rehabilitation work and must preserve the historic character of the building. Qualified rehabilitation costs must exceed \$5,000, and the project must be completed within 24 months (one extension of time may be applied for). The project must receive initial approval from the reviewing agency **prior to the start** of the rehabilitation work. The initial approval must be received between Jan. 1, 1991 and Dec. 31, 2009, and you may claim the tax credit only for work completed by Dec. 31, 2009.

Reviewing agencies for these projects are the Colorado Historical Society or a certified local government. Certified local governments, as of July 1999, are: Aspen, Aurora, Boulder, Boulder County, Breckenridge, Castle Rock, Central City, Colorado Springs, Crested Butte, Cripple Creek, Denver, Durango, Fort Collins, Fort Lupton, Georgetown, Golden, Idaho Springs, Lake City, Littleton, Longmont, Manitou Springs, Park County, Steamboat Springs, Telluride and Walden. Contact the Colorado Historical Society at the number shown below for an updated list. The Colorado Historical Society has adopted regulations governing the criteria and procedures for approval of rehabilitation projects for which the taxpayer intends to claim this tax credit.

For detailed information on the approval process, and for application and certification forms, contact your certified local government; or the Colorado Historical Society, Office of Archaeology and Historic Preservation, 1300 Broadway, Denver, CO 80203, (303) 866-3395. A graduated, nonrefundable fee will be required with the application.

If you are claiming the federal rehabilitation tax credit for the restoration project (under section 38 of the Internal Revenue Code), no additional approval for state credits is required. The state tax credit may be claimed on the basis of approvals secured for the federal credit.



Colorado Department  
of Revenue  
Taxpayer Service Division  
1375 Sherman St.  
Denver, Colorado 80261

Sales Tax: (303) 232-2416  
Withholding Tax: (303) 232-2416  
Income Tax: (303) 232-2446  
Severance Tax: (303) 232-2446  
Fuel Tax: (303) 232-2451

**Projects begun before June 3, 1999**

The following rules pertain to projects that were begun prior to June 3, 1999. Any project for the restoration, rehabilitation or preservation of historic properties that commenced on or after June 3, 1999 will be subject to slightly different rules which can be found at the end of this FYI.

**AVAILABLE INCOME TAX CREDIT**

The state income tax credit is 20 percent of qualified rehabilitation costs up to a maximum \$50,000 credit per qualified property. In any given tax year, the maximum allowable credit is \$2,000 plus 50 percent of your remaining tax liability for that year. The excess credit may be carried forward to a maximum of five years.

If, however, you claim the federal rehabilitation tax credit for the project, your available state credit is limited to ten percent of the total available federal credits (that is, ten percent of the 20 percent federal credit, or two percent of your qualified rehabilitation costs). [§39-22-507.5 (1)(b) C.R.S.] The state credit must be taken in the same year you take the federal credit.

If the qualified rehabilitation project is located in an enterprise zone, the credit **may not** be taken in conjunction with the state income tax credit allowed for the rehabilitation of a vacant building in an enterprise zone [§39-30-105.6 C.R.S.]. The 25 percent enterprise zone credit is allowed for the qualified costs of rehabilitating a building that is at least 20 years old; has been completely vacant for at least two years; and is renovated for commercial uses. If your rehabilitation project qualifies for both credits, you must choose one or the other. For more information, see FYI Income 24, "Tax Credit for the Rehabilitation of Vacant Buildings in an Enterprise Zone."

**HOW TO CLAIM CREDIT**

Individuals should claim this credit on Form 104CR. Corporations should claim the credit on Form 112CR. If you are not

claiming the federal credit, the project must be completed before the credit is taken, and the credit must be taken for the year in which the project is completed (except that if it is not completed by Dec. 31, 1999, a partial credit may be claimed for 1999). A "Verification of Qualified Nature of Historic Preservation Expenditures" form (issued by the reviewing agency) must be attached to your Colorado income tax return when claiming the credit. If you are claiming the federal rehabilitation tax credit for this project, and are thus claiming only ten percent of the federal credit on your state return, no supporting documentation is required by the Department of Revenue.

If the property is owned (or leased) by more than one taxpayer, all involved may share in the tax credit, provided the group jointly submitted the initial application and fees [§39-22-514 (3)(a)(I) C.R.S.]. The credit may be divided evenly among the total number of taxpayers. It may also be divided in differing proportions, provided the group had submitted to the reviewing agency a binding agreement, signed by all members sharing the credit, stating the manner in which the credit is to be divided. A copy of this agreement must be attached to your income tax return. No matter how many taxpayers are sharing it, the total allowable credit per property is 20 percent (\$50,000 maximum), and the total amount taken any tax year may not exceed \$2,000 plus 50 percent of each taxpayer's remaining tax liability.

If you take the tax credits and then decide to sell your property (or terminate your lease) within five years, you must refund to the Department of Revenue all or a portion of the credit used according to the following formula:

- within the first year: ..... 100%
- within the second year: ..... 80%
- within the third year: ..... 60%
- within the fourth year: ..... 40%
- within the fifth year: ..... 20%

***Projects begun on or after June 3, 1999***

The following changes to the above rules pertain to projects that were begun on or after June 3, 1999:

- The state income tax credit is 20 percent of qualified rehabilitation costs up to a maximum \$50,000 credit per qualified property. In any given tax year, the maximum allowable credit is the amount of your tax liability for the year. The excess credit may be carried forward to a maximum of ten years.
- There is no change to the above credit computation if the federal rehabilitation tax credit is claimed for the project. The credit must always be claimed in the year that the project is completed (except that if it is not completed by Dec. 31, 2009, a partial credit may be claimed for 2009).
- The project no longer requires approval from the reviewing agency prior to the start of the rehabilitation work.

***FURTHER INFORMATION***

For more information on related topics, consult the following DOR publications:

- FYI Income 24, "Tax Credit for the Rehabilitation of Vacant Buildings in an Enterprise Zone";
- FYI General 1 "Department of Revenue Publications";
- FYI General 5 "General Information About Colorado State Taxes";
- FYI General 6 "General Information About Colorado Enterprise Zones."

Single FYIs are free from the Taxpayer Service Division. They may be obtained at any statewide taxpayer service center; by writing to the Colorado Department of Revenue, 1375 Sherman St., Denver, CO 80261; or by calling the DOR Forms Hotline at (303) 232-2414. Please use the FYI number (General 1, Sales 9, etc.) when ordering FYI publications. FYIs and commonly used forms are available on the Web at [www.revenue.state.co.us](http://www.revenue.state.co.us)