Colorado Department of Revenue
Taxpayer Service Division
01/11

FYI Income 1
Historic Property Preservation Income Tax Credit

GENERAL INFORMATION
Colorado offers an income tax credit to Colorado resident individuals and C corporations for the preservation and rehabilitation of a qualified historic property. The structure must be at least 50 years old, and must be: a) designated individually or as a contributing property in the State Register of Historic Places; b) designated as a landmark by a certified local government; or c) designated as a contributing property in a designated historic district of a certified local government. If the property on which a taxpayer wants to claim this credit has none of these designations, the taxpayer 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, a taxpayer must be the property owner or tenant with a lease of five or more years. 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 between January 1, 1991 and December 31, 2019, and the taxpayer may claim the tax credit only for work completed by December 31, 2019.

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. Reviewing agencies for these projects are the Colorado Historical Society or a certified local government. For detailed information on the approval process, for a list of certified local governments, and for application and certification forms, contact the Colorado Historical Society, Office of Archaeology and Historic Preservation, at www.coloradohistory-oahp.org, or at (303) 866-3395.

If a taxpayer is 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.

AVAILABLE INCOME TAX CREDIT
The state income tax credit is 20% of qualified rehabilitation costs up to a maximum $50,000 credit per qualified property. In any given tax year, the allowable credit cannot exceed the amount of tax liability for the year. Any excess credit may be carried forward for a maximum of 10 years.

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% 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 a rehabilitation project qualifies for both credits, the taxpayer 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 the Individual Credits Schedule (104CR). Corporations should claim the credit on the Corporation Credit Schedule (112CR). The project must be completed before the credit is taken (except that if it is not completed by December 31, 2019, a partial credit may be claimed for 2019) and the credit must be taken for the year in which the project is completed, except as described under "Conditional Availability". (See section pertaining to "Conditional Availability" in this FYI). A “Verification of Qualified Nature of Historic Preservation Expenditures” form (issued by the reviewing agency) must be attached to the Colorado income tax return when claiming the credit. If a taxpayer is claiming the federal rehabilitation tax credit for this project, 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 the taxpayer's income tax return. No matter how many taxpayers are sharing it, the total allowable credit per property is 20%, or $50,000 maximum.

RECAPTURE OF CREDIT

If a taxpayer takes the tax credits and then decides to sell the property (or terminate the lease) within five years, the taxpayer must recapture 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%

CONDITIONAL AVAILABILITY

Beginning in 2011 the availability of the historic property preservation income tax credit for a given year will be contingent upon sufficient revenue growth* for that year. If a credit cannot be claimed for the tax year in which it accrued because sufficient growth is not expected, it may be claimed for the next tax year for which a sufficient growth is anticipated. The availability of this credit for any tax year beginning subsequent to December 31, 2010 will be posted on the Department of Revenue Web site once it has been determined. [§39-22-514(11.7), C.R.S]

This conditional availability applies only to credits generated in tax years 2011 and later. Unused credit from tax year 2010 and earlier can be carried forward and used in later tax years regardless of whether there is sufficient revenue growth.

**Availability of the credit is contingent upon the December legislative council revenue forecast issued prior to the tax year and that the general fund appropriation must grow 6% over the previous year.*