



Historic District Development Incentives and Assistance

Rev. 7.24.2017

10% Investment Tax Credit | Non-Certified Historic Structures

Administering Organization: Internal Revenue Service

Overview

The 10% tax credit is available for the rehabilitation of non-historic buildings placed in service before 1936. The building must be rehabilitated for non-residential use, and the property must be depreciable. Income-producing residential (i.e. apartments) are not eligible.

How Does It Work?

Federal Rehabilitation Investment Tax Credits are applied to owner's federal taxes owed or to future tax liabilities. The credit is worth 10% of the cost of the renovation. The rehabilitation must be substantial, exceeding either \$5,000 or the Adjusted Basis (see below) of the property, whichever is greater during a 24-month period.

The tax credit must be claimed on IRS form 3468 for the tax year in which the rehabilitated building is placed in service. There is no formal review process for rehabilitations of non-historic buildings.

Who's Eligible?

Eligible owners may be individuals or businesses and must pay federal income taxes, and the building **MUST NOT** be listed on the National Register.

The Passive Activity Limitations, the Alternative Minimum Tax, and the At-Risk Rules all affect the amount of credit an individual can claim in one year.

In order to qualify for the tax credit, the rehabilitation must meet three criteria:

- at least 50% of the existing external walls must remain in place as external walls
- at least 75% of the existing external walls must remain in place as either external or internal walls
- at least 75% of the internal structural framework must remain in place.

What type of work qualifies?

- Architectural and construction costs on the historic building.
- Soft costs that are depreciable rather than taken as a one-time expense: architectural and engineering fees, survey, legal, development fees, construction-related costs

Contact

Applicants submit form to IRS for IRS review. Go to IRS website to download Form 3468 and instructions: www.irs.gov/pub/irs-pdf/f3468.pdf. Contact the IRS: 1-800-829-1040

Consult with your tax professional before claiming this credit.