



Historic District Development Incentives and Assistance

Rev. 7.24.2017

20% Investment Tax Credit | Certified Historic Structures

Administering Organization: Tennessee Historic Commission, Internal Revenue Service & National Park Service

<http://www.tennessee.gov/environment/article/thc-federal-investment-tax-credit-program>

www.nps.gov/history/hps/tps/tax/index.htm

Overview

The 20% tax credit is available for the rehabilitation of certified historic buildings (buildings listed on the National Register) or buildings contributing to certified historic district. Essentially buildings that have been certified by the National Park Service to be historic.

How Does It Work?

Federal Rehabilitation Investment Tax Credit reduces the building owners' federal income taxes by 20% of the project's budget, and are applied to owner's federal taxes owed or to future tax liabilities. 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 owner may qualify for a 60-month phased project, but it requires more up-front planning.

This program includes a three-part application that is reviewed by THPA and the NPS.

- Part I: Certifies that the building is "historic."
- Part II: Describes the proposed work. Must submit photos of the pre-construction conditions. Architectural drawings and specifications must be submitted if/when available.
- Part III: Certifies that the work has been completed, has met the Standards, and lists the value of the renovation. The certified Part III is filed with the IRS for claiming the tax credit in the year the project is completed.

Who's Eligible?

Eligible owners may be individuals or businesses and must pay federal income taxes, and the building **MUST BE** listed on the National Register individually or contributing to a National Register district.

The program is only for income-producing depreciable property: Properties rehabilitated for commercial, agricultural, industrial and rental residential.

Project must be certified by the NPS to meet the Secretary of the Interior's Standards for Rehabilitation.

- Requires the preservation the existing significant historic features and materials.
- Does not require restoring a building or its features to their original appearance.
- Non-historic features may be removed or retained, if desired.



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- New, compatible alterations or additions may be added.
- New additions outside the existing building envelope cannot be claimed for the credit.

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.

Owner must retain the building for five years or return a prorated portion of the credits.

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

Fees

Sliding fee for review ranging from free for projects < \$20,000 up to \$2,500 for projects > \$1 million.

Contact

It is strongly recommended that application be filed before work begins to avoid costly mistakes or denial. Approval of proposed work typically takes from 3 to 6 months.

To receive an application and instructions for the Investment Tax Credit, contact **Louis Jackson**, Investment Tax Credit Coordinator, 615-770-1099 (louis.jackson@tn.gov) at the Tennessee Historical Commission