



ALABAMA  

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HISTORICAL  
COMMISSION  

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THE STATE HISTORIC PRESERVATION OFFICE

# Historic Preservation Tax Incentives

For Rehabilitating Buildings in Alabama

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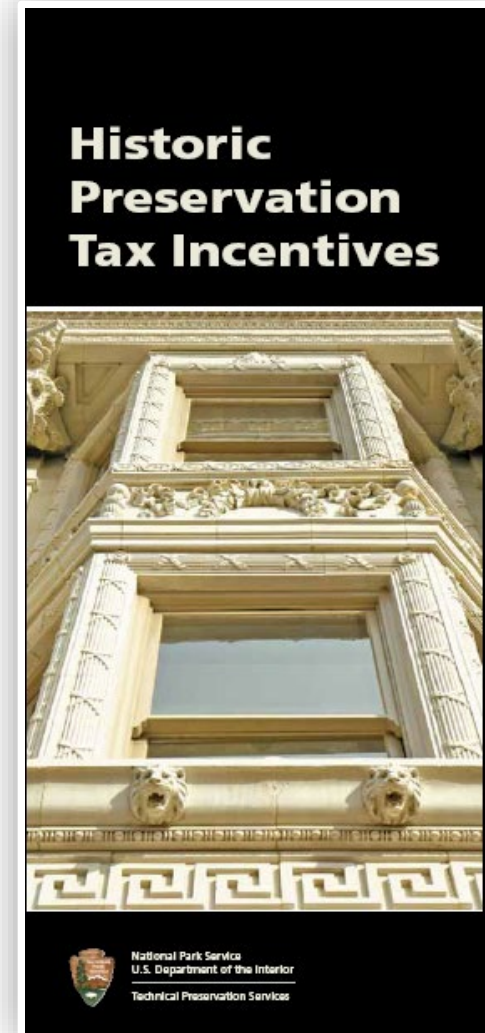


# Federal Rehabilitation Tax Credit

## 20% Tax Credit

Buildings must be:

- Listed in the National Register of Historic Places
- Income-producing
- Substantially rehabilitated
- Certified by NPS





# Federal Rehabilitation Tax Credit

**Buildings must be eligible for the program**

Listed in the National Register of Historic Places

May be *individually* listed or a *contributing resource* in an historic district

Used for income-producing purposes

May be office, retail, hotel, restaurant, rental-residential





# Federal Rehabilitation Tax Credit



**Projects must be SUBSTANTIAL**

QREs must exceed the **GREATER** of \$5,000  
or the Adjusted Basis

$$A - B - C + D = \text{adjusted basis}$$

A = purchase price of property

B = cost of land at time of purchase

C = depreciation taken for an income-producing property

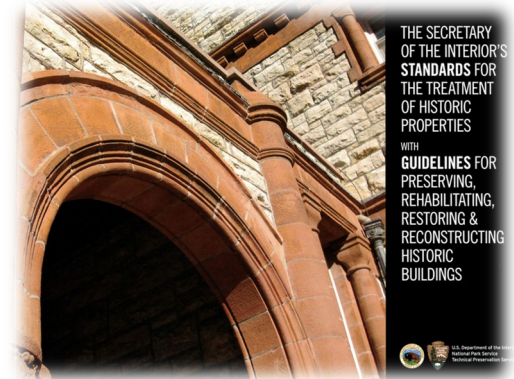
D = cost of any capital improvements made since purchase

Example:  $\$150,000 - 50,000 - 35,000 + 12,000 = \$77,000$





# Federal Rehabilitation Tax Credit



## Work must follow the *Standards for Rehabilitation*

NPS guidelines for for treating historic buildings

Rehabilitation allows alterations for new use

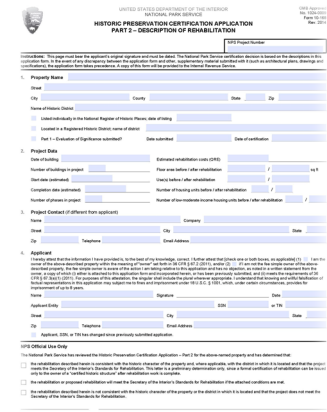
Review of exterior, interior, and site work

Repair historic materials, features, and spaces





# Federal Rehabilitation Tax Credit



## Applicants must apply and get approval from NPS

Parts 1 and 2 submitted to AHC and NPS before project begins

Part 3 submitted after project is complete

Part 1	Physical description Photos of existing condition Photo key on existing plans	History and significance Location map
Part 2	Description of work	Drawings of proposed work
Part 3	Photos of completed work	Photo key

Owners who undertake rehabilitation projects without prior approval from the National Park Service do so at their own risk



# Federal Rehabilitation Tax Credit



## What a Tax Credit means...

Tax Credits are used toward the Applicant's federal income tax liability

Equals 20% of Qualified Rehabilitation Expenditures (QREs)

### Examples of Eligible Expenditures

- Architectural & Engineering fees
- Roofing
- Structural improvements
- Painting
- Window and door repair
- New MEP systems
- Repairs of features and finishes
- Elevators/sprinkler systems

### Examples of Ineligible Expenditures

- Acquisition
- Enlargement
- New decks or porches
- Landscaping and parking lots
- Cabinets and appliances
- Furniture and carpet (tacked)
- Window treatments
- Signage



# Federal Rehabilitation Tax Credit



## What a Tax Credit means...

QREs of \$100,000 equals \$20,000 tax credit

- The credit is taken ratably over five years beginning in the year the building is placed into service (prior to Tax Cuts and Jobs Act of 2017, entire credit could be claimed in first year)
- The credit can be carried back one year and forward 20 years
- There is a five-year recapture period after the building is placed into service





# Federal Rehabilitation Tax Credit



## Program Participants...

Applicant



State Historic Preservation Office (AHC)

Assists applicants in Alabama



National Park Service

Reviews applications (30+ days)  
Certification decisions

Internal Revenue Service

Tax advice  
Audits tax returns



# Federal Rehabilitation Tax Credit



**Information about Federal Tax Incentives may be found at  
the National Park Service website**

[www.nps.gov/tps/tax-incentives.htm](http://www.nps.gov/tps/tax-incentives.htm)



**Technical Information on Rehabilitation may be found at  
the National Park Service website**

[www.nps.gov/tps/how-to-preserve.htm](http://www.nps.gov/tps/how-to-preserve.htm)





# Federal Rehabilitation Tax Credit

**Certified Rehabilitation**

**Swann & Co. Chemical Lab, Birmingham**

Before



After



**Protect, Preserve and Interpret Alabama's Historic Places**



# Federal Rehabilitation Tax Credit

**Certified Rehabilitation**

**Howell School, Dothan**



**Before**



**After**





# Federal Rehabilitation Tax Credit

**Certified Rehabilitation**

**263, 265, 267 North Warren Street, Mobile**



Before



After

**Protect, Preserve and Interpret Alabama's Historic Places**



# Historic Preservation Tax Incentives



Federal Historic Rehabilitation Tax Credit Program

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