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ALABAMA'S HISTORIC PRESERVATION TAX CREDIT

The Alabama Historic Rehabilitation Tax Credit is a 25% refundable tax credit available for owners of commercial properties who substantially rehabilitate historic properties that are listed in or eligible for the National Register of Historic Places and are 75 years old or older. The tax credit provides jobs, increases the tax base, and revitalizes existing buildings and infrastructure, while preserving and rehabilitating Alabama's historic properties.

Who can apply?

Taxpayers filing a State of Alabama income tax return or entities exempt from federal income taxation who own title to a building or own a leasehold interest in a building for a term of 39 years or more may apply.

Is there a limit on tax credits?

Tax credits are capped at \$5 million for commercial properties. Due to a change in the legislation in June 2023, \$25 million in tax credits will be available each tax year from 2023 to 2027. Excess tax credits will be carried forward each year. \$8 million of each year's allocation will be set aside for rural communities for the first nine months of the year.

How much must be spent on the rehabilitation?

Eligible costs must exceed 50 percent of the owner's original purchase price or \$25,000, whichever is greater.

What guidelines must be followed?

Work must follow the Secretary of the Interior's Standards for Rehabilitation, which guarantee improvements will maintain a building's historic character and integrity. <http://www.nps.gov/tps/standards/rehabilitation.htm>

What is the application process?

The state tax credit application is a three-step process. The AHC provides technical assistance on application procedures, appropriate rehabilitation work, and will visit properties as needed. The AHC will recommend qualifying projects to the Historic Tax Credit Evaluating Committee who will rank projects in the order they are to receive tax credit reservations. The program does require an application fee that is non-refundable even if a project is not approved for a credit.

When should you apply?

Apply early in the planning process. During the application process, the AHC will determine if the building is eligible for the program and if the proposed rehabilitation plan meets the Standards. The only type of work allowed before an application is submitted is related to design or development fees or emergency repairs that protect a building from deterioration. However, this work may not begin more than 6 months prior to making application.

What expenses qualify for the credit?

Repair of exterior materials; repair of structural systems; repair of interior finishes like floors, walls, and ceilings; upgrades to HVAC, electrical, and plumbing; and architectural, engineering, and land surveying fees.

What expenses do not qualify for the credit?

Acquisition costs (including interest and taxes), realtor fees, personal labor by the owner, furnishings/appliances, new lighting and plumbing fixtures, cabinetry, countertops, additions, sales and marketing costs, energy efficiency measures related to insulation in frame walls, and landscaping or site work outside the footprint of the qualified building.

How do you take the tax credit?

Applicants must report progress of the project at 18 months and 36 months of receiving the reservation, and the project must be complete within 60 months. At the end of a project, owners submit a final application providing information on the completed project. If work complies with the Standards and all other requirements are met, the AHC issues a Tax Credit Certificate. Owners claim the tax credit in the tax year in which the building is placed in service. The credit is transferable only one time. Any unused portion of the tax credit is refundable.