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**Historic Preservation Tax Credits**

# Introduction

- Federal Historic Preservation Tax Incentives program (HPTC) provides “historic rehabilitation credit” in connection with “qualified rehabilitation expenses” for renovations of “certified historic structures.” IRS Code 38, 47.

# The Historic Tax Credits Program, Generally

- Program administered by US Department of the Interior (National Park Service (NPS)) and US Department of the Treasury
- Tax credits equal to 20% of “qualified expenditures” in the renovation of “certified historic structures”

# Certified Historic Structures

➤ Defined as:

- (a) buildings listed on the National Register of Historic Places; or
- (b) buildings that contribute to a National Register Historic District or another qualifying local historic district.

Treas. Reg. 1.48-12(d).

# Qualifications to Rehabilitation

- Rehabilitation work must be consistent with the historic character of the structure and/or applicable historic district
- Proposed rehabilitation work must be certified by the Secretary of the Interior through the NPS, in conjunction with the State Historic Preservation Officer

# Qualified Expenditures

## ➤ Can include:

- Construction costs
- Developer fees
- Consultant fees (legal, architectural, engineering)

## ➤ Cannot include:

- Property acquisition costs
- New additions to the historic structure

\*See Treas. Reg. 1.48-12(c) and IRC 47(c)(2)(B) for explicit definitions.

# Qualified Building Uses

- The building must be income-producing or used in a business
- Rental housing, commercial and industrial uses also qualify
- Condominium housing units must be held for income or used in business or trade

# Further Restrictions

- HTCs must be claimed in the taxable year the rehabilitation work is completed such that a certificate of occupancy is issued
- HTCs cannot be “sold” without selling the corresponding real estate interest
- An owner claiming HTCs must retain ownership of the property for at least five years or HTCs will be subject to recapture





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