

City of Pasadena Hills



Information and Resource

Guide

To

Historic Tax Credits

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Historic Preservation Tax Credits Helpful Websites and Phone Numbers

Websites

(Both State and Federal tax credit applications are available from these websites)

Missouri Tax Credits:

State Historic Preservation Office of Missouri: <http://www.dnr.mo.gov/shpo>

This page has great information and links to more info for both state and federal credits. Just click "Tax Credits" on the home page. You can also click on "National Register" to find listings by county to see if your property is listed in the National register.

Missouri Department of Economic Development Home Page: www.ded.mo.gov

Click on Community Development, then on Historic Preservation.

Federal Tax Credits:

National Park Service, Technical Preservation Services, Historic Tax Incentives--

<http://www.cr.nps.gov/hps/tps/tax>

This entire section is very good.

Of special note:

IRS Connection--The "Frequently Asked Questions" section here is especially good.

Standards for Rehab (Secretary of the Interior's Standards for Rehabilitation.)

Interpreting the Standards Bulletins—Nice short bulletins on single topics.

Publications—especially **Preservation Briefs**

► To check the status of your federal application: <http://tps.cr.nps.gov/status>

National Register--<http://www.cr.nps.gov/nr>

This includes great information about what it means to have your property in the National Register, including assurances that there are no controls associated with being listed.

The "Weekly List" is a good way to check on pending listings.

Phone Numbers

Missouri Tax Credits:

Missouri Department of Economic Development: 800-523-1434 (Press 3, then 3 again)

Missouri Historic Preservation Office: Lance Carlson (573) 751-7859

or Angelo Logan (573) 522-1472

In the St. Louis Area: Kris Zapalac (314) 416-2960 or 1-800-334-6946

Federal Tax Credits:

IRS General Consul's Office - Washington D.C.: (202) 662-3110

St. Louis - Regional IRS Rep.: Don Modglin (636) 940-6480

Federal & Missouri State Tax Credits for the Rehabilitation of Historic Buildings

	FEDERAL CREDIT	STATE CREDIT	COMMENTS
What is a tax credit?	A tax credit lowers the tax owed. A tax credit differs from a tax deduction in that an income tax deduction lowers the amount of income subject to taxation while a dollar of tax credits reduces the income tax owed by one dollar.		
What tax credits are available for rehabilitation of historic buildings?	The federal credit provides an investment tax credit equal to 20% of rehabilitation costs. Federal credits are administered by the State Historic Preservation Office (SHPO) in the Missouri Department of Natural Resources & by the National Park Service (NPS).	The state credit provides an investment tax credit equal to 25% of all costs associated with rehabilitation made after January 1, 1998. The state credits are administered by the Community Development Division in the Missouri Department of Economic Development (DED).	Credits can be combined for rehabilitation of commercial or income producing property. Rehabilitation of owner-occupied residences qualifies for state credits only.
For the purpose of the credits, what makes a building "historic"?	<p>To be eligible for either state or federal credits, a building must be "historic," i.e.</p> <ul style="list-style-type: none"> ◆be listed individually in the National Register of Historic Places (NR), or ◆contribute to a National Register district, or ◆contribute to a Local Historic District certified by the U.S. Department of the Interior as substantially meeting National Register criteria. <p>For lists of individual sites and districts listed in the National Register of Historic Places: http://dnr.mo.gov/shpo/MNRList.htm For lists of Missouri's certified local districts: http://dnr.mo.gov/shpo/cld.htm For information on whether a building contributes to a district, please contact a State Historic Preservation Office staff member at one of the numbers on the last page.</p>		<p>The criteria for eligibility are the same for both the federal & state credits. For more on the National Register of Historic Places, see http://dnr.mo.gov/shpo/national.htm For lists of National Register sites in Missouri: http://dnr.mo.gov/shpo/MNRList.htm For lists of certified local districts: http://dnr.mo.gov/shpo/cld.htm</p>
What if a building is not currently listed on the National Register?	Owners of buildings not yet listed in the National Register may use the federal application, Part 1, to request preliminary determination of significance from the NPS. Although a determination allows the owner to proceed with rehabilitation while a NR nomination is pending, determinations are not binding & become final only when the building/district is listed in the NR.	Owners may submit their state tax project for review prior to a property being listed on the NR. State credits will not be awarded, however, until the property is formally listed in the NR. An owner may begin rehabilitation work prior to a property being listed, but they do so at their own risk.	For information on listing properties in the National Register of Historic Places, see http://dnr.mo.gov/shpo/national.htm
What types of buildings qualify for the credits?	The federal credits are limited to income-producing, depreciable property only. The property may be either commercial or residential rental property. A taxpayer's personal residence would not qualify for the federal credit.	State credits also apply to income-producing property including either commercial or residential rental property. A taxpayer's personal residence can qualify for the state credit if the property is historic & minimum investment threshold is met.	Rehabilitation of owner-occupied residences qualify for state but not federal historic rehab tax credits.

	FEDERAL CREDIT	STATE CREDIT	COMMENTS
What standards must be followed to qualify for the credits?	In order to qualify for either state or federal credits, the rehabilitation project must follow the Secretary of the Interior's Standards for Rehabilitation . The Standards are included in both the state and federal tax credit application instructions & available online at: http://www.cr.nps.gov/hps/tps/tax/incentives/standards_1.htm		The same standards are followed for both state & federal programs.
Who reviews proposed work to ensure compliance w/ rehab standards?	The taxpayer submits Part II application outlining proposed rehabilitation work for review by the SHPO & submission to the NPS for final certification. SHPO & the NPS are permitted to inspect a property within the 5-year recapture period & the certificate can be revoked if it is found that work was not carried out as certified.	The taxpayer submits to the Department of Economic Development the Part IB of the state application outlining the proposed rehabilitation work. To ensure that the proposed work meets the Secretary of the Interior's Standards for Rehabilitation, the SHPO reviews the application.	
Is there a minimum investment that an owner must make to qualify for the credits?	The threshold requirement for the federal program is the larger of \$5,000.00 or the "adjusted basis" of a building -- essentially the current book value of the building -- determined by taking the purchase price of the building & subtracting the value of the land. Any previously claimed depreciation is subtracted from this figure & the value of any previously made improvements is added to the figure. A taxpayer's accountant can provide information on determining the basis of a property.	The threshold requirement is 50% of the basis. "Basis" is defined as the cost, or fair market value of the property at the time of acquisition, or as otherwise defined in the United States Internal Revenue Code.	Since federal credits use 'adjusted basis' while state credits use 'basis' for determining the threshold, some taxpayers seeking both credits may find their projects meet one but not the other of the threshold requirements
Is there a deadline for project completion?	Yes. The federal program requires completion within 24 months; 60 months if project has been presented as "phased" up front. For information consult the federal guidelines online at http://www.cr.nps.gov/hps/tps/tax/hpcappl.htm	No.	
What rehabilitation work qualifies for the credits?	Costs associated with rehab work on the historic building, architectural/engineering fees, legal expenses, development fees, & other construction-related costs, if added to the property's basis & reasonable & related to the services performed.	Total costs incurred on rehabilitation shall include but not be limited to qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code of 1986 as amended.	Costs of acquisition, furnishings, additions, new building construction, parking lots, sidewalks, landscaping are not allowable expenses.

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Can tax credits be carried over?	Yes. If a taxpayer's tax liability in a given year is less than the amount of the federal tax credit, the credit can be carried back one year & forward twenty years or until the credit is exhausted.	Yes. The state tax credits can be carried back three years & forward ten years. The credits are to be claimed against the taxes imposed pursuant to chapters 143 & 148 RSMo, except for sections 143.191 to 143.265, RSMo.	
Are there recapture provisions?	Yes. If the owner sells the property within a five-year period, 20% of the credit will be recaptured for each year remaining.	No.	
How do I obtain an application?	The federal guidelines and forms application are available online at the NPS web site: http://www.cr.nps.gov/hps/tps/tax/hpcappl.htm	The state guidelines and forms are linked from the State Historic Preservation Office web site: http://dnr.mo.gov/shpo/TaxCrds.htm	
What is the process for obtaining the credits?	To obtain the credit, a taxpayer submits the 3-part federal application to the SHPO. Part 1 is used to determine if building is historic. Part 2 outlines proposed rehabilitation work in detail. Part 3 is submitted once rehabilitation work is complete. After the SHPO reviews the Part 3, it is forwarded to the NPS. The NPS issues the final certification, which is filed with the taxpayer's federal income tax return.	The applicant submits Part 1a & b to the Department of Economic Development prior to the start of a project. Once the project has been approved & work is completed, the applicant submits a Part 2. The Department of Economic Development will provide the taxpayer with the documentation to be submitted with the taxpayer's state income tax return.	It is strongly recommended that an owner seeking BOTH federal & state credits apply for federal credits first . Once a project has been reviewed & approved at the federal level, no subsequent state review of the scope of work is required.
When is the tax credit claimed?	Generally, the tax credit is claimed on IRS form 3468 for the tax year in which the rehabilitated building is placed in service.	Generally the state tax credits are claimed on Missouri form MO-TC for the year in which the rehabilitated building is placed in service.	
Timeframe for Review	Federal tax act projects are allowed 30 working days for review at the state level & 45 working days for review at the federal level. If clarifications/alterations are required the clock will be stopped & restarted.	The review of projects seeking only the state credit is 30 working days. This includes initial processing at the Department of Economic Development, review of proposed work by the SHPO & final processing by the Department of Economic Development.	Should clarification or additional be required, the clock would stop at that point & be started again once adequate information is supplied for review.
Can a project utilize multiple investors?	Yes, however passive loss restrictions for federal projects would apply	State law permits distribution of credits to investors based on a pro-rata basis or an executed agreement among the investors	Advice of a qualified tax professional should be sought before proceeding with any project involving multiple investors!
Can the credits be sold?	Federal credits cannot be sold.	Effective August 28, 1998, state credits can be sold. Involvement by not-for-profits in the sale of state credits is not allowed.	

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Are there restrictions that limit use of credits?	Yes, Passive Activity, Alternative Minimum Tax and Tentative Minimum Tax regulations & certain lease arrangements limit tax credit use. See: http://www.cr.nps.gov/hps/tps/tax/IRSanswers.htm	Non-applicable.	
Are fees charged for participation in the tax credit programs?	Yes. The NPS charges in advance for application review based on the anticipated cost of the project. Fees range from \$500 for projects costing \$20,000 - \$99,000 to \$2,500 for projects costing \$1,000,000 or more.	Yes. Effective Sept. 7, 2005, the Department of Economic Development will collect a fee of 2.5 % of the tax credit issued. The amount will be determined and the fee required AFTER final certification, but prior to the issuance of the tax credit.	The NPS handles billing for federal project review. DED determines both credit and fee based on costs submitted AFTER final certification.
<ul style="list-style-type: none"> ◆ Apply as soon as possible—preferably BEFORE beginning work. Consult with the SHPO for the federal credits and the architectural review process for the state credits, and with the Department of Economic Development concerning the administration of the state credits as soon as you can. Read carefully the program applications & follow instructions carefully. ◆ Photograph your building inside & out BEFORE beginning work. Before photographs of all rooms and exterior walls are especially important. Without them, it may be impossible to review a project. A photo-documentation instruction sheet can be found online at http://ded.mo.gov/forms/cd/Historic/HTCPreliminaryGuidelines.pdf ◆ Read & follow the “Secretary of the Interior’s Standards for Rehabilitation” & consult with the SHPO for information on interpreting the Standards, online at http://www.cr.nps.gov/hps/tps/tax/incentives/standards_1.htm ◆ It is STRONGLY RECOMMENDED that the advice of a qualified tax professional should be sought before proceeding with any tax credit rehabilitation project! 			

For more information on the web: <http://dnr.mo.gov/shpo/TaxCrds.htm>

For more information regarding the eligibility for or architectural review of state or federal historic rehab tax credit projects by the State Historic Preservation Office, please call 573-751-7858 or (in St. Louis) 314-416-2960x270 or 1-800- 334-6946, or write: State Historic Preservation Office, Missouri Department of Natural Resources, P.O. Box 176, Jefferson City, MO 65102-0176

For more information regarding the administration of the state tax credit program by the Department of Economic Development, please call 573-522-8004