



Local Preservation

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WHAT ARE THE HISTORIC PRESERVATION TAX INCENTIVES?

Tax incentives for the preservation and rehabilitation of historic properties are among the most useful tools a local government can use to protect and enhance its historical environment. Some States and local governments provide reductions in property taxes and other State and local taxes to encourage preservation of historic properties, and there are several Federal tax incentives that apply to particular kinds of preservation activities for particular purposes. The two most widely used Federal incentives, however, are the historic rehabilitation tax credit and the charitable contribution deduction.

Historic Rehabilitation Credit

The Tax Reform Act of 1986 permits owners and some lessees of historic buildings to take a 20% income tax credit on the cost of rehabilitating such buildings for industrial, commercial, or rental residential purposes. The law also permits depreciation of such improvements over 27.5 years for a rental residential property and over 31.5 years for non-residential property. The rehabilitated building must be a certified historic structure that is subject to depreciation, and the rehabilitation must be certified as meeting standards established by the National Park Service (NPS).

What is a certified historic structure?

A certified historic structure is:

- * a structure individually listed in the National Register of Historic Places, or:
- * a structure certified by NPS as contributing to a registered district. A registered district is one that is listed in the National Register, or designated under a state or local statute which has been certified to contain criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of significance to the district, and which is certified as substantially meeting all of the requirements for listing of districts in the National Register.

The standards used in certifying structures within districts are given in Appendix 1.

What is a certified rehabilitation?

A certified rehabilitation is a rehabilitation certified by NPS as being consistent with the historic character of the property and, where applicable, the district in which it is located. NPS refers to the Secretary of the Interior's "Standards for Rehabilitation" provided in Appendix 2, in certifying rehabilitations.

How is a building or rehabilitation certified?

NPS requires that owners complete a special form, the Historic Preservation Certification Application (Form 10-168), for all certification requests. The form is divided into three parts: Part 1 for evaluating the historic significance of a building; Part 2 for describing rehabilitation work, and a third part requesting certification of completed work.

All applications are submitted to, and reviewed by, the State Historic Preservation Officer (SHPO) before submission to NPS, which makes the final certification decision after considering the SHPO's recommendations.

Part 1 evaluations need not be prepared for buildings already individually listed in the National Register. A building within a district must be certified, based on review of a Part 1 application, as contributing to the significance of that district. Part 1 applications are also used to gain preliminary determinations of significance for individual buildings not yet listed in the Register; these determinations become final when such buildings are actually listed.

Proposed rehabilitation is described on Part 2 of the application form. NPS issues a preliminary approval of proposed work to projects that, as described, meet the Secretary's Standards. The preliminary approval becomes final when the work is completed and NPS can certify that the "Standards" have, in fact, been met.

Is there a fee for certification?

NPS charges a fee for reviewing rehabilitation certification requests, based on the cost of rehabilitation.

Where can application forms be obtained?

Historic Preservation Certification Application forms are available from SHPO's and from NPS Regional Offices.

How is a State law or local ordinance, or a local historic district, certified?

State and local governments that wish to have State laws, local ordinances, or local historic districts not included in the National Register certified so that the rehabilitation of buildings contributing to such districts may qualify for the Federal historic rehabilitation credit should contact their SHPO's for assistance in preparing and submitting requests to NPS for such certification.

Charitable Contributions

Taxpayers may deduct from their Federal income tax the value of historically important land areas and certified historic structures donated to governments and other appropriate recipients for historic preservation purposes. Donations of partial interests in such properties (e.g. easements) are also deductible.

The range of properties on which deductions can be claimed for donations is broader than that on which the rehabilitation credit can be claimed. Archeological sites, rural historic districts, and other land areas on or eligible for the National Register are included, as are land areas within historic districts and lands adjacent to properties individually listed in the Register where such areas contribute to the historical integrity of such properties. Properties do not have to be depreciable in order for the charitable contribution deduction to be taken.

How does a taxpayer claim a charitable contribution deduction?

The documentation needed to support a claim for a charitable contribution deduction varies, depending on the property, the interests donated, and other factors. SHPO's and NPS Regional Offices can provide assistance in developing the necessary documentation.

For further information, see:

"Preservation Tax Incentives for Historic Buildings." U.S. Department of the Interior, National Park Service, and National Conference of State Historic Preservation Officers (1987). Free brochure available from SHPO's and NPS Regional Offices.

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APPENDIX 1

The Secretary of the Interior's Standards for Evaluating Significance Within Registered Historic Districts

1. A building contributing to the historic significance of a district is one which by location, design, setting, materials, workmanship, feeling, and association adds to the district's sense of time and place and historical development.
2. A building not contributing to the historical significance of a district is one which does not add to the district's sense of time and place and historical development; or one where the integrity of the location, design, setting, materials, workmanship, feeling, and association has been so altered or has so deteriorated that the overall integrity of the building has been irretrievably lost.
3. Ordinarily buildings that have been built within the past 50 years shall not be considered to contribute to the significance of a district unless a strong justification concerning their historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

APPENDIX II

The Secretary of the Interior's Standards for Rehabilitation

1. Every reasonable effort shall be made to provide a compatible use for a property which requires minimal alteration of the building, structure, or site and its environment, or to use the property for its originally intended purpose.
2. The distinguishing original qualities or character of a building, structure, site or its environment shall not be destroyed. The removal or alteration of any historic material or distinctive architectural features should be avoided when possible.
3. All buildings, structures, and sites shall be recognized as products of their own time. Alterations that have no historical basis and which seek to create an earlier appearance shall be discouraged.
4. Changes which may have taken place in the course of time are evidence of the history and development of a building, structure, or site and its environment. These changes may have acquired significance in their own right, and this significance shall be recognized and respected.
5. Distinctive stylistic features or examples of skilled craftsmanship which characterize a building, structure, or site shall be treated with sensitivity.
6. Deteriorated architectural features shall be repaired rather than replaced, wherever possible. In the event replacement is necessary, the new material should match the material being replaced in composition, design, color, texture, and other visual qualities. Repair or replacement of missing architectural features should be based on accurate duplications of features, substantiated by historic, physical, or pictorial evidence rather than on conjectural designs or the availability of different architectural elements from other buildings or structures.
7. The surface cleaning of structures shall be undertaken with the gentlest means possible. Sandblasting and other cleaning methods that will damage the historic building materials shall not be undertaken.
8. Every reasonable effort shall be made to protect and preserve archeological resources affected by, or adjacent to, any project.
9. Contemporary design for alterations and additions to existing properties shall not be discouraged when such alterations and additions do not destroy significant historical, architectural, or cultural material, and such design is compatible with the size, scale, color, material, and character of the property, neighborhood, or environment.
10. Whenever possible, new additions or alterations to structures shall be done in such a manner that if such additions or alterations were to be removed in the future, the essential form and integrity of the structure would be unimpaired.