Federal and Oklahoma state tax law currently provide incentives for the rehabilitation of historic and older buildings. These benefits encourage revitalization of historic districts as well as individual buildings. To qualify for the federal tax incentives, requirements of both the Internal Revenue Service (IRS) and the U.S. Department of the Interior, National Park Service (NPS), must be met. To qualify for the Oklahoma state tax incentives, projects must qualify for the federal tax credits. The State Historic Preservation Office (SHPO) participates in the determination that a building is a certified historic structure* and the review of rehabilitation work and is the initial point of contact for applicants. The NPS is responsible for certifying historic structures and rehabilitation work. The Oklahoma Tax Commission (OTC) addresses taxpayer questions regarding the state tax return, state statutes, and OTC rules for using the state tax credits.

Property owners and developers are encouraged to consult the SHPO about the certification process before making any decisions or taking any actions regarding rehabilitation work. (Warning: To qualify for the 20% tax credit for certified rehabilitation* of a certified historic structure, the applicant must receive NPS written approval (preliminary certification) of the proposed rehabilitation before any construction work begins. Failure to do so, may jeopardize the tax credits for the entire project. Applicants who proceed with rehabilitation work prior to NPS preliminary certification do so at their own risk.

* A certified historic structure is defined as a building that is individually listed in the National Register of Historic Places OR a building that is located in a registered historic district (a registered historic district is defined as any district listed in the National Register of Historic Places) listed in the National Register of Historic Places and certified by the NPS as contributing to the historic significance of that district. The structure must be a building. A state or local historic district may also qualify as a registered historic district if the district and the enabling statute are certified by the Secretary of the Interior. A certified rehabilitation is a rehabilitation project for which all work has been completed in accordance with the Secretary of the Interior’s Standards for Rehabilitation and is certified by the NPS as such. The NPS conveys certification by signing off on the bottom of the “Historic Preservation Certification Application, Part 3,” which the owner completes and transmits to the SHPO for submission to the NPS. A Part 3 application must be submitted in order to document the completion of the project seeking the 20% federal and the 20% state tax credit. If a taxpayer claims the credit without completing the Part 3 application process, the credit may be revoked by the IRS.
Value of the Rehabilitation Tax Credits

There are two levels of both the federal and state tax credits for rehabilitation of income-producing buildings. The amount of credit available to the taxpayer is 20% of Qualified Rehabilitation Expenditures (QRE).

The 20% credit is available for a certified rehabilitation of a certified historic structure. The certification process is outlined below.

Certification of Historic Structures and Rehabilitation Work (20% Credit)

Following is a brief outline of the three-part certification process through the SHPO to NPS (36 CFR Part 67):

Step 1: Historic Preservation Certification Application - Part 1

Before the building is placed in service, owner completes the “Historic Preservation Certification Application - Part 1, Evaluation of Significance” (Form #10-168) to receive NPS certification that a building within a registered historic district is a certified historic structure (regardless of how it was classified in the original National Register of Historic Places nomination) or of an individual property that is not currently listed in the register. A Part 1 may also be required to confirm that a building already individually listed in the National Register still qualifies for the designation and thus is a certified historic structure.

Owner submits the Part 1 to the SHPO.

SHPO reviews the Part 1 within 30 days of receipt, requests additional information if needed, completes the NPS review sheet (indicating the SHPO’s opinion on the building’s National Register eligibility), and transmits the Part 1 to NPS.

NPS has 30 days from receipt of the Part 1 to notify the taxpayer of its decision on the Part 1. If the building is within a historic district, NPS will either confirm that the building is a contributing resource to the district and thus a certified historic structure or confirm that the building does not contribute to the district and is not a certified historic structure or issue a preliminary certification that the building is individually eligible for the National Register.

If the building is determined to be individually eligible on the basis of the Part 1, formal listing of the building in the National Register must occur within 30 months of the date the tax credits are claimed. The formal National Register listing process is separate from the Historic Preservation Certification Application process and is accomplished through the SHPO with the advice of the Oklahoma Historic Preservation Review Committee and final action by the Keeper of the Register, NPS (36 CFR Part 60). WARNING: The HPCA Part 1 must be approved by NPS before the construction work is completed. If it is not, then the property will not qualify for the tax credit program.
Step 2: Historic Preservation Certification Application - Part 2

Before rehabilitation work begins, owner completes "Historic Preservation Certification Application Part 2 – Description of Rehabilitation" (Form #10-168a) to receive preliminary certification of the proposed work from NPS. (A Part 2 may be filed after project work is under way or even completed, but the owner must have sound documentation of the building's condition before the work began. Failure of the work to meet the Secretary’s Standards and other considerations under IRS regulations may result in ineligibility for the credits.)

Owner submits the completed Part 2 to the SHPO. (NOTE: In most cases, the owner has consulted with SHPO staff before submitting the Part 2.)

SHPO reviews an adequate and complete Part 2 within 30 days of receipt, completes the NPS review sheet (providing an opinion on the appropriateness of the proposed work), and transmits the Part 2 to NPS. SHPO may need to request additional information or revisions to proposed work, or make site visits (which could increase the time period for transmittal to NPS).

NPS has thirty (30) days to review the Part 2 and may request additional information from the owner, approve the Part 2 (preliminary certification), approve the Part 2 with conditions, or deny the Part 2.

Owner completes the rehabilitation project within 24 months or in phases with all work completed within 60 months of the approved Part 2.

Owner may determine that changes in the proposed work are necessary after receiving approval of the Part 2. If so, owner completes the “Historic Preservation Certification Application Continuation/Amendment Sheet” (Form #168b) and submits it to the SHPO for review and transmittal to NPS in the same manner as the original Part 2.

Step 3: Historic Preservation Certification Application - Part 3

Upon completion of the rehabilitation project, owner completes the “Historic Preservation Certification Application - Part 3, Request for Certification of Completed Work” (Form #10-168C) to obtain final project approval.

Owner submits the Part 3 to the SHPO.

SHPO, within 30 days of receipt of an adequate and complete Part 3, conducts an on-site inspection of the completed project, completes the NPS review sheet (indicating a recommendation about certification), and forwards the Part 3 to NPS.

NPS, within 30 days of receipt, will issue the final certification of completed work provided that all items were executed in accordance with the approved Part 2 and any subsequently approved amendments. (NOTE: If NPS denies a Part 3, owner has the right to appeal the decision in accordance with NPS regulations 36 CFR Part 67.)

Owners may begin claiming the tax credits on the basis of a Part 2. However, failure to obtain an approved Part 3 will result in recapture of any credits claimed.
If during the first five years following final certification owner determines additional rehabilitation work is needed, he must contact the SHPO for guidance in filing an amendment. Work done during this initial five year period that does not meet the Secretary’s Standards may result in the recapture of the tax credits. Work done after the initial five year period is not subject to review.

Additional Information:
For general information about the rehabilitation tax credit program, see “SHPO Fact Sheet #14: Frequently Asked Questions about Tax Credits for Rehabilitation” at http://www.okhistory.org/shpo/factsheets/fs14tax.pdf.

For instructions about completing the Historic Preservation Certification application, review the SHPO’s “Rehabilitating Historic Properties for the Federal Investment Tax Credits” at https://www.nps.gov/tps/tax-incentives/taxdocs/hpca-instructions.pdf.

For the complete list of Oklahoma’s entries in the National Register of Historic Places, see Oklahoma’s National Register Handbook at http://www.okhistory.org/shpo/nrhandbook.htm. These publications are available in print from the SHPO.

Photos clockwise from upper left: Bryan Hotel, Durant, Bryan County; Parkinson Building, Okmulgee, Okmulgee County; The 424, Oklahoma City, Oklahoma County; and Dale Hotel, Guymon, Texas County