Historic Preservation Tax Incentives
For Rehabilitating Buildings in Alabama

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Federal Rehabilitation Tax Credit

20% Tax Credit

Buildings must be:

• Listed in the National Register of Historic Places
• Income-producing
• Substantially rehabilitated
• Certified by NPS
Federal Rehabilitation Tax Credit

Buildings must be eligible for the program

Listed in the National Register of Historic Places
  May be *individually* listed or a *contributing resource* in an historic district

Used for income-producing purposes
  May be office, retail, hotel, restaurant, rental-residential
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Projects must be SUBSTANTIAL

QREs must exceed the GREATER of $5,000 or the Adjusted Basis

\[ A - B - C + D = \text{adjusted basis} \]

A = purchase price of property
B = cost of land at time of purchase
C = depreciation taken for an income-producing property
D = cost of any capital improvements made since purchase

Example: $150,000 - 50,000 - 35,000 + 12,000 = $77,000
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Work must follow the *Standards for Rehabilitation*

NPS guidelines for treating historic buildings
Rehabilitation allows alterations for new use
Review of exterior, interior, and site work
Repair historic materials, features, and spaces

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Federal Rehabilitation Tax Credit

Applicants must apply and get approval from NPS

Parts 1 and 2 submitted to AHC and NPS before project begins
Part 3 submitted after project is complete

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<th>Part 1</th>
<th>Physical description</th>
<th>History and significance</th>
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<td>Photos of existing condition</td>
<td>Location map</td>
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<td>Photo key on existing plans</td>
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<th>Part 2</th>
<th>Description of work</th>
<th>Drawings of proposed work</th>
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<th>Part 3</th>
<th>Photos of completed work</th>
<th>Photo key</th>
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Owners who undertake rehabilitation projects without prior approval from the National Park Service do so at their own risk
Federal Rehabilitation Tax Credit

What a Tax Credit means...

Tax Credits are used toward the Applicant’s federal income tax liability

Equals 20% of Qualified Rehabilitation Expenditures (QREs)

Examples of Eligible Expenditures
- Architectural & Engineering fees
- Roofing
- Structural improvements
- Painting
- Window and door repair
- New MEP systems
- Repairs of features and finishes
- Elevators/sprinkler systems

Examples of Ineligible Expenditures
- Acquisition
- Enlargement
- New decks or porches
- Landscaping and parking lots
- Cabinets and appliances
- Furniture and carpet (tacked)
- Window treatments
- Signage
Federal Rehabilitation Tax Credit

What a Tax Credit means…

QREs of $100,000 equals $20,000 tax credit

• The credit is taken ratably over five years beginning in the year the building is placed into service (prior to Tax Cuts and Jobs Act of 2017, entire credit could be claimed in first year)

• The credit can be carried back one year and forward 20 years

• There is a five-year recapture period after the building is placed into service
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Program Participants...

Applicant

State Historic Preservation Office (AHC)
Assists applicants in Alabama

National Park Service
Reviews applications (30+ days)
Certification decisions

Internal Revenue Service
Tax advice
Audits tax returns

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Federal Rehabilitation
Tax Credit

Information about Federal Tax Incentives may be found at the National Park Service website
www.nps.gov/tps/tax-incentives.htm

Technical Information on Rehabilitation may be found at the National Park Service website
www.nps.gov/tps/how-to-preserve.htm

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Federal Rehabilitation Tax Credit

Certified Rehabilitation

Swann & Co. Chemical Lab, Birmingham

Before

After
Federal Rehabilitation Tax Credit

Certified Rehabilitation

Howell School, Dothan

Before

After

Protect, Preserve and Interpret Alabama’s Historic Places
Federal Rehabilitation Tax Credit

Certified Rehabilitation 263, 265, 267 North Warren Street, Mobile

Before

After

Protect, Preserve and Interpret Alabama’s Historic Places
Federal Historic Rehabilitation Tax Credit Program

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