



HISTORIC PRESERVATION TAX INCENTIVES

****Who Should Read This****

Historic Building Owners, Architects, Developers, Realtors, Accountants, Preservationists

Alabama Property Tax Reduction

- The Wallace Property Relief Constitutional Amendment (“Lid Bill”) Code of Alabama 40-8-1 Section 2. allows all historic property, regardless of use, to be assessed at 10% of the assessed value for ad valorem tax purposes.
- This allows the properties that are either determined by the Alabama Historical Commission (AHC) as eligible for listing in the National Register; individually listed in the National Register; or listed as contributing to a National Register historic district to receive the lowest assessment rate.
- To determine if a property is eligible for this benefit, submit an Ad Valorem Assessment Application, complete with a map and photos, to the AHC. Upon receipt of a complete application, AHC staff review documentation and process the application within 30 calendar days.
- Owners receive an AHC letter confirming a property’s status in the National Register or determining eligibility for listing and for the ad valorem reduction. This letter may be presented to the county tax assessor for reassessment of the property.

Alabama Historic Rehabilitation Tax Credit

- The Alabama Historic Rehabilitation Tax Credit is a 25% refundable tax credit available for private homeowners and owners of commercial properties who substantially rehabilitate historic properties that are listed in or eligible for the National Register of Historic Places and are 60 years old or older.
- Taxpayers filing a State of Alabama income tax return or entities exempt from federal income taxation who own title to a building or own a leasehold interest in a building for a term of 39 years or more may apply.
- Tax credits are capped at \$5 million for commercial properties and \$50,000 for residential homes. \$20 million in tax credits are available each tax year from 2018 to 2022. Excess tax credits will be carried forward each year. \$8 million of each year’s allocation will be set aside for rural communities for the first six months of the year.
- Eligible costs must exceed 50 percent of the owner’s original purchase price or \$25,000, whichever is greater.
- Work must follow the Secretary of the Interior’s *Standards for Rehabilitation*, which guarantee improvements will maintain a building’s historic character and integrity.
<http://www.nps.gov/tps/standards/rehabilitation.htm>
- The state tax credit application is a three-step process. The AHC provides technical assistance on application procedures, appropriate rehabilitation work, and will visit properties as needed. The AHC will recommend qualifying projects to the Historic Tax Credit Evaluating Committee who will rank projects in the order they are to receive tax credit reservations.
- Applicants must report progress of the project at 18 months and 36 months of receiving the reservation, and the project must be complete within 60 months. At the end of a project, owners submit a final application providing information on the completed project. If work complies with the *Standards* and all other requirements are met, the AHC issues a Tax Credit Certificate. Owners claim the tax credit in the tax year in which the building is placed in service. The credit is transferable only one time. Any unused portion of the tax credit is refundable.

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Federal Rehabilitation Tax Credit

- The Federal Rehabilitation Tax Credit is a 20% credit available for Certified Rehabilitations of income-producing historic buildings listed in the National Register of Historic Places.
- Amounts to 20% of the total eligible rehabilitation expenditures and can be applied to federal income tax owed by the property owner.
- Certified Rehabilitations meet the Secretary of the Interior's *Standards for Rehabilitation* and are approved by the National Park Service (NPS) as being consistent with the historic character of the property.
- Rehabilitation expenditures must exceed the greater of \$5,000 or adjusted basis of the building. The adjusted basis is the purchase price of the building, minus the value of the land, plus improvements, minus depreciation.
- The three-part application process must be initiated before the rehabilitation project begins. Contact the Alabama Historical Commission for guidance with the application and rehabilitation process. The National Park Service reviews applications and issues official Certification decisions.
- The tax credit earned is taken ratably over a five-year period beginning in the year the rehabilitated building is placed in service or when the building has been substantially rehabilitated (unless transition rules under the Tax Cuts and Jobs Act of 2017 apply for certain projects).
- The owner must own the building for five years after completing the rehabilitation, and any work on the building within five years must be approved by the NPS beforehand, or the credits can be recaptured.

Information and Applications available online

<https://ahc.alabama.gov/federaltaxcredits.aspx>

<https://ahc.alabama.gov/alabamarehabtaxcredits.aspx>

www.nps.gov/tps/tax-incentives.htm

www.nps.gov/tps/standards/rehabilitation/rehab/stand.htm

Contact the AHC for more information

Ad Valorem Reduction and Alabama Historic Rehabilitation Tax Credit Program:

Hannah Garmon, 334-230-2644 or Hannah.Garmon@ahc.alabama.gov

Federal Historic Rehabilitation Tax Credit: Chloe Mercer, 334.230.2669 or Chloe.Mercer@ahc.alabama.gov