



## **Information on State and Federal Historic Rehabilitation Tax Credits**

The owners of most of the 90 buildings located in the Grenada Downtown Historic District, listed on the National Register of Historic Places in 2014, are eligible to receive income tax credits based on the cost of approved eligible improvements of 25% (State) and 20% (Federal). Such credits result in a dollar for dollar reduction of the owner's income tax liability.

Background on the credits, the Department of the Interior principles on which the requirements, administered at the Federal level by the National Park Service are based, and the three parts of the application can be found here: <https://www.nps.gov/tps/tax-incentives.htm>.

The National Park Service relies on a State Historic Preservation Officer (SHPO) in each state to do initial review of the application and make recommendations to them. Todd Sanders, based in Jackson, is the SHPO for the Federal HTC, and is also Tax Incentives Coordinator for Mississippi Department of Archives & History. He can be reached at [tsanders@mdah.state.ms.us](mailto:tsanders@mdah.state.ms.us) or by phone at (601) 576-6950.

MDAH approves the state level HTCs, and NPS approves the Federal HTCs. It is possible to apply for one and not the other, but the requirements are close to identical. If you complete the Federal forms, you need not complete separate state forms but simply send Todd two copies. He will review and send one package to the NPS in Washington with his recommendation. One hot button: the required photos must be in color and printed on photo paper.

There is a market for HTCs, but the IRS rules regarding transfer are much tighter now than they have been historically. If selling them is your plan, consult a tax advisor before you take title to the property if possible. As of now it is permissible for investors in a property to apportion the related tax credits asymmetrically to their economic investment but the arrangement must be structured carefully, with reference to the most recent IRS rulings.

The application process requires Part 1, which describes the property and its significance. Photos of interior, exterior, and roof as well as a floor plan and map are required. Part 2, which describes the planned rehabilitation, also requires photos and a floor plan and in some cases elevations. Before issuing their approval of Part 2, NPS requires that their fee be paid. It is recommended that Part 2 approval be in hand before construction starts. When the project is finished, Part 3, again with photos, is filed, with the total costs incurred and the total claimed Qualified Rehabilitation Expenditures, which does not include expenses that are not eligible, such as appliances or new additions. The NPS complete its review and sends back their approval.

While no technical expertise is required to complete the process, some descriptions may be improved by the use of specialized architectural language. Consultants will do the work for a fee. We recommend Tricia Nelson, who prepared the nomination of the Grenada Downtown Historic District to the National Register and is thus familiar with Grenada's buildings. She can be reached at [tnelson@mc.edu](mailto:tnelson@mc.edu).

There is legislation currently pending on the Federal Historic Tax Credit, so please check with your attorney or accountant for current information.

July, 2016