



Federal & State Incentives for Owners of Historic Buildings

FEDERAL AND STATE GOVERNMENTS ENCOURAGE re-use of historic structures by offering tax credits for restoration. Tax credits work like this: 20 percent of what a property owner spends to rehabilitate a historic, income-producing property comes off the bottom line of taxes paid to the federal government.

If you spend \$100,000 to restore an old hotel, for example, you pay \$20,000 less in federal tax. Rules govern what types of buildings and what kind of work qualifies. It's best to seek the advice of a tax attorney and preservation experts before moving forward with a project. The following general information shows that rehabbing historic buildings can result in significant tax savings.

Federal Tax Break for Income-Producing Property

An owner who renovates qualified historic commercial or residential property following preservation standards may apply for a federal tax credit. To qualify for the Rehabilitation Investment Tax Credit (RITC), a building must be listed in or eligible for the National Register of Historic Places. The property can be a commercial building, a factory, or even an old house—but it must be income-producing, not a private residence.

The renovation work must qualify as a “certified rehabilitation,” meaning that it complies with the Secretary of the Interior’s Standards for Rehabilitation. In a nutshell, the Secretary’s Standards say:

- Don’t change anything you don’t have to change.
- If you have to change something, make sure it doesn’t alter the significance of the property.
- Don’t do anything that can’t be reversed.

To ensure that proposed work will be approved, before any demolition or renovation work begins, property owners applying for the federal credit should submit plans to the Indiana Division of Historic Preservation and Archaeology (DHPA). DHPA also reviews all final tax credit applications.

Qualifying for the RITC requires “substantial

rehabilitation,” which means spending more than \$10,000 or the property’s adjusted basis—whichever is greater—over a specified period, typically 24 to 60 months, depending on the complexity of the project. While most applicants for tax credits reap the financial rewards themselves, some developers sell the tax credits to raise money to fund rehabilitation projects.

DHPA encourages applicants to apply as early as possible in the process of planning a building’s rehabilitation and also recommends consulting your accountant or tax attorney before you embark on a tax credit project.

Indiana Tax Break for Historic Residential Property

A property owner who rehabs a primary residence may qualify for the Indiana Residential Historic Rehabilitation Credit if the house is at least 50 years old and listed in the Indiana Register of Historic Places either individually or as part of a district.

The program allows an owner-occupant to take a credit against state income tax liability equal to 20 percent of “qualified” preservation or rehab expenses. The amount spent must exceed \$10,000 and can’t include such items as the cost of enlarging an existing structure, paving, or landscaping.

To determine what expenses qualify, property owners must submit a preservation or rehabilitation plan to DHPA for approval prior to beginning work. If approved rehabilitation expenses total \$20,000, for example, a homeowner would qualify for a \$4,000 tax credit. Work must be completed within a specified period, ranging from two to five years.

If the credit exceeds a homeowner’s state tax liability, the remainder may be carried over for up to 15 years. The residential credit is subject to recapture by the state within five years of the work’s completion—triggered if the homeowner sells the property or completes any additional work that doesn’t meet the DHPA’s standards. With this credit, too, it pays to contact DHPA—and your accountant or tax attorney—well in advance.

Other Tax Incentives

The **low-income housing tax credit** is another incentive for the rehabilitation of historic buildings. It can be combined with the RITC to accomplish two good deeds at once: producing housing for low-income people while renovating historic structures. The federal government also provides tax incentives for the creation of rural housing. A tax expert can outline your options for combining various tax incentives.

Donating a preservation easement on a historic property or donating a building to Indiana Landmarks provides tax benefits similar to any other charitable donation and offers the added advantage of protecting the property from inappropriate changes in perpetuity. For more information on either option, call 317-639-4534 or 800-450-4534 to consult with Indiana Landmarks' Vice President for Development.

Historic Preservation projects may be eligible for **Redevelopment Tax Credits** through the Indiana Economic Development Corporation (IEDC), which aids investment in vacant and underutilized land and buildings. Learn more on IEDC's website:

iedc.in.gov/indiana-advantages/investments/redevelopment-tax-credit/overview

Façade and Economic Development Grants

Some communities offer matching grants to owners of downtown commercial buildings to restore the historic facades. Check with your local preservation organization or commission to see if such a program exists in your town. Other incentives may be available for renovation of historic commercial or industrial buildings through a local or regional economic development corporation if the new use of the structure creates jobs and boosts the local tax base.

Tech Assistance

If you'd like professional help in deciding if a historic structure might qualify for any of the incentives outlined here, contact Indiana Landmarks at any of our nine offices (see left). The preservation professionals in our regional offices offer free advice to anyone considering rehabilitating a historic building. You'll also find a wealth of helpful information on our website indianalandmarks.org.

RESOURCES

For information about requirements of the federal Rehabilitation Investment Tax Credit, Indiana Residential Historic Rehabilitation Credit, or nominating a property to the National Register of Historic Places, contact:

Indiana Division of Historic Preservation and Archaeology

402 West Washington Street, Room 274

Indianapolis, IN 46204

317-232-1646

in.gov/dnr/historic

You can access the Secretary of the Interior's Standards for Rehabilitation on the National Park Service at nps.gov/subjects/taxincentives/secretarys-standards-rehabilitation.htm

INDIANA LANDMARKS

Indiana Landmarks provides free professional advice to anyone considering rehabbing a historic building in their community. Call the regional office nearest you, or our state headquarters, to enlist Indiana Landmarks' help:

Central Regional Office

Indianapolis
317-639-4534 or 800-450-4534
central@indianalandmarks.org

Eastern Regional Office

Richmond
765-478-3172
east@indianalandmarks.org

Northeast Field Office

Wabash
260-563-7094
northeast@indianalandmarks.org

Northern Regional Office

South Bend
574-232-4534
north@indianalandmarks.org

Northwest Field Office

Gary
219-947-2657
northwest@indianalandmarks.org

Southeast Field Office

Aurora
812-926-0983
southeast@indianalandmarks.org

Southern Regional Office

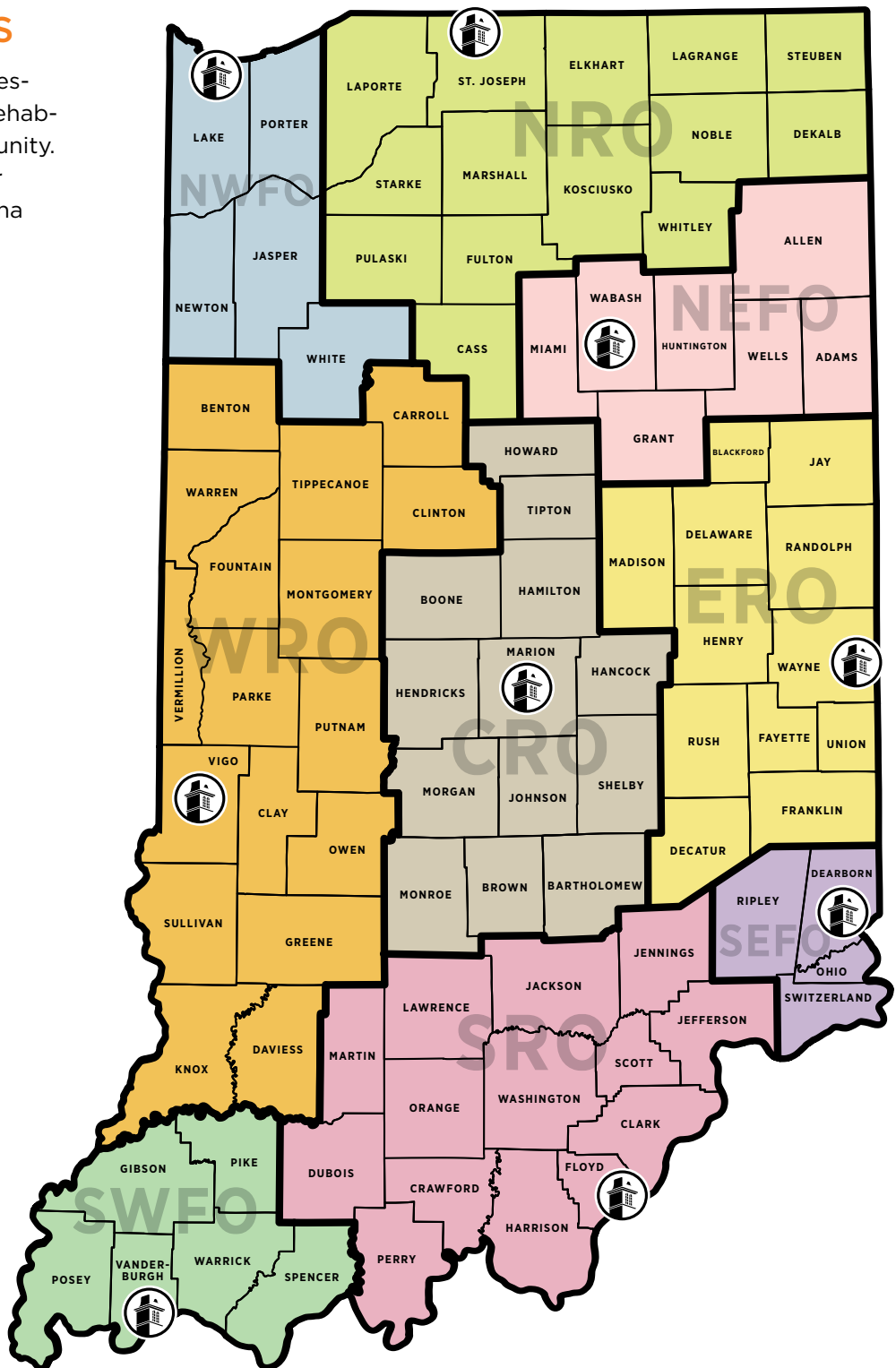
Jeffersonville
812-284-4534
south@indianalandmarks.org

Southwest Field Office

Evansville
812-423-2988
southwest@indianalandmarks.org

Western Regional Office

Terre Haute
812-232-4534
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*Indiana Landmarks revitalizes communities,
strengthens connections to our diverse heritage,
and saves meaningful places*