

# Instructions to Apply For State & Federal Rehabilitation Tax Credits

Use the following checklists to ensure that your Virginia state or federal application is complete. Please check your application carefully, as incomplete applications will not be reviewed until the appropriate information is received. **FAILURE TO SUBMIT A COMPLETE APPLICATION MAY RESULT IN SUBSTANTIAL DELAYS.**

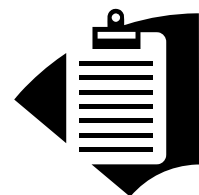
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## PROCESSING FEES

**VIRGINIA STATE:** Refer to the attached Billing Statement to calculate the processing fees for state applications. A **check** for the state processing fee must be submitted in accordance with the instructions on the Billing Statement at the same time the application is submitted. The Virginia Department of Historic Resources (DHR) is unable to accept credit cards for processing fees.

**FEDERAL:** If you are paying your federal processing fees by credit card, use the attached form and submit it with your application. Use of this form will expedite review of your application by the National Park Service. If you prefer to pay by check, **do not** submit the fee with your application. The National Park Service will issue an invoice. The Virginia Department of Historic Resources will not forward checks for federal processing fees to the National Park Service.



## APPLYING FOR TAX CREDITS

### VIRGINIA STATE TAX CREDIT ONLY

#### Part 1: Evaluation of Significance

- \_\_\_\_\_ **One Virginia Part 1 application** with owner's original signature on current form (revised 7/09).
- \_\_\_\_\_ **Map** locating property within the boundaries of historic district, if property is in a historic district. (Copies of historic district maps are available from the Virginia Department of Historic Resources.)
- \_\_\_\_\_ **One set** of labeled 4"x6" color photos showing streetscapes, all sides of the building, major interior spaces, and specific character-defining features. **Key photos to a floor plan, and if applicable, to a site plan.**
- \_\_\_\_\_ *\* Please note: For properties individually listed on the Virginia Landmarks Register or the National Register of Historic Places, a Part 1 must be submitted if the property has one or more outbuildings or other resources. Please include a photo of each outbuilding/resource, approximate date of construction, brief description, and contributing status.*

#### Part 2: Description of Rehabilitation

- \_\_\_\_\_ **One Virginia Part 2 application** with owner's original signature on current form (revised 3/98).
- \_\_\_\_\_ Complete description of the proposed rehabilitation work, describing building's existing features and impact of proposed work on these features.
- \_\_\_\_\_ **One set** of labeled 4"x6" color photos showing condition of the building prior to rehabilitation. Photograph all areas where significant work is proposed and key to the description of work. **Key photos to a floor plan, and if applicable, to a site plan.**
- \_\_\_\_\_ **One set** of drawings showing the **existing floorplan**. (Not-to-scale drawings are acceptable.)
- \_\_\_\_\_ **One set** of drawings showing the **proposed floorplan**.
- \_\_\_\_\_ For phased projects, a **phasing plan** outlining work proposed for each phase plus approximate cost and start and end dates for each phase.
- \_\_\_\_\_ **State review fee check**, and a copy of the Billing Statement.

#### Part 3: Request for Certification of Completed Work

- \_\_\_\_\_ **One Virginia Part 3 application** with owner's original signature on current form (revised 2/08) with the original assessment value, the final rehabilitation costs, and the date the project was completed.
- \_\_\_\_\_ **One set** of labeled, after-rehabilitation 4"x6" color photos of building, showing all exterior elevations, significant interior spaces, significant exterior and interior features, major alterations, and new construction. These should be taken of the same features, and from the same locations, as photos presented with Part 2. **Key photos to a floor plan, and if applicable, to a site plan.**
- \_\_\_\_\_ **State review fee check** and a copy of the Billing Statement.
- \_\_\_\_\_ **Copy of State Part 1 certification letter.**
- \_\_\_\_\_ **Cost certification** by a certified public accountant (for all projects starting February 10, 2016).

## BOTH STATE & FEDERAL TAX CREDITS

- When submitting applications for both State and Federal tax credits remember that the Virginia Department of Historic Resources needs to have a copy of everything sent to the National Park Service (except for Federal credit card forms).
- All forms must have original signatures.
- **Photos for the National Park Service must be printed on photographic paper and the images must be at least 4" x 6".**

### Part 1: Evaluation of Significance

- \_\_\_\_\_ **Two Federal Part 1 application forms** with owner's **original** signature on both copies. *(When applying for both State and Federal tax credits, it is not necessary to submit a State Part 1 application form in addition to the two Federal Part 1 application forms.)*
- \_\_\_\_\_ **Map** locating property within the boundaries of historic district, if property is in a historic district. (Copies of historic district maps are available from the Virginia Department of Historic Resources.)
- \_\_\_\_\_ **Photographs:** Submit two sets of labeled 4" x 6" color photos depicting streetscapes, all sides of building, major interior spaces, and specific character-defining features. Key photos to a floor plan, and if applicable, to a site plan.  
  
\* **Please note:** For properties individually listed on the National Register of Historic Places, if there are no outbuildings or secondary resources, a Part 1 is not required. However, if the property has one or more outbuildings or other resources (even if they are non-contributing and not part of the project), a full Part 1 is required. Please include a photo of each outbuilding/resource, approximate date of construction, brief description, and contributing status.

### Part 2: Description of Rehabilitation

- \_\_\_\_\_ **Two Federal Part 2 application forms** with owner's **original** signature on both copies. *(When applying for both State and Federal tax credits, it is not necessary to submit a State Part 2 application form in addition to the two Federal Part 2 application forms.)*
- \_\_\_\_\_ Complete description of the proposed rehabilitation work, describing building's existing features and impact of proposed work on these features.
- \_\_\_\_\_ **Photographs:** Submit two sets of labeled 4" x 6" color photos showing the condition of the building prior to rehabilitation. Photograph areas where significant work is proposed and key to the description of work. Key photos to a floor plan, and if applicable, to a site plan. (Please don't send plastic photo sleeves. Rubber-band them, clip them, or put them in envelopes.)
- \_\_\_\_\_ **Floorplans:**  
Two sets of drawings showing the **existing floorplan**. (Not-to-scale drawings are acceptable.)  
Two sets of drawings showing the **proposed floorplan**.
- \_\_\_\_\_ For phased projects, a **phasing plan** outlining work proposed for each phase plus approximate cost and start and end dates for each phase.
- \_\_\_\_\_ **State review fee check** and a copy of the Billing Statement.

### Part 3: Request for Certification of Completed Work

- \_\_\_\_\_ **Two Federal Part 3 application forms and one Virginia Part 3 application form** with owner's **original** signature on all copies. *(When applying for both State and Federal tax credits, for Part 3, it is necessary to submit a Virginia Part 3 application form in addition to the two Federal Part 3 application forms.)*
- \_\_\_\_\_ **Photographs:** Submit two sets of labeled after-rehabilitation 4" x 6" color photographs showing all exterior elevations, significant interior spaces, significant exterior and interior features, major alterations, and new construction. These should be taken of the same features and from the same locations as the Part 2 photos. Key photos to a floor plan, and if applicable, to a site plan.
- \_\_\_\_\_ **State review fee check** and a copy of the Billing Statement.
- \_\_\_\_\_ **Copy of State Part 1 certification letter** (for State Part 3 application only).
- \_\_\_\_\_ **For the Virginia Credit: Cost certification** by a certified public accountant (for all projects starting February 10, 2016).



**Historic Preservation Tax Incentives  
Technical Preservation Services, National Park Service**

## **Tax Aspects of the Historic Preservation Tax Incentives: Frequently Asked Questions**

### **1. Who can claim a rehabilitation tax credit?**

The rehabilitation tax credit is available to the person(s) and/or the entity who holds title to the property.

### **2. How can property owned by a tax-exempt entity utilize rehabilitation tax credits?**

The rehabilitation tax credit would be of no use to a tax-exempt entity. However, in many instances, tax-exempt entities are involved in rehabilitation projects by forming a limited partnership and maintaining a minority ownership interest as a general partner. In these situations, the limited partners would be entitled to the rehabilitation tax credit and the tax exempt entity is able to ensure that their organizational goals are being met.

### **3. When can a taxpayer claim the rehabilitation tax credit?**

The property must be substantially rehabilitated. During a 24-month period selected by the taxpayer, rehabilitation expenditures must exceed the greater of the adjusted basis of the building and its structural components or \$5,000. The basis of the land is not taken into consideration. It is important to note that any expenditure incurred by the taxpayer before the start of the 24-month period will increase the original adjusted basis. See Treasury Regulation 1.48-12(b)(2).

If the rehabilitation is completed in phases, the same rules apply, except that instead of a 24-month period, a 60-month period is substituted. This phase rule is available only if the taxpayer meets three conditions:

1. There is a written set of architectural plans and specifications for all phases of the rehabilitation. (If the written plans outline and describe all phases of the rehabilitation, this will be accepted as written plans and specifications);
2. The written plans must be completed before the physical work on the rehabilitation begins; and It can be reasonably expected that all phases of the rehabilitation will be completed.
3. The property must be placed in service. See Treasury Regulation 1.46-3(d) for definition of "placed in service." The rehabilitation credit is generally allowed in the taxable year the rehabilitated property is placed in service provided that the building has met the "qualified rehabilitated building" requirements for the 24 month period ending in that taxable year. A qualified rehabilitated building is defined as that which has been substantially rehabilitated and was placed in service as a "building" before the beginning of the rehabilitation (as opposed to a ship, airplane, bridge, etc). See Treasury Regulation 1.48-12(b).

If the taxpayer fails to complete the physical work of the rehabilitation prior to the date that is 30 months after the date the taxpayer filed a tax return on which the credit is claimed, the taxpayer must submit a written statement to the District Director stating such fact and shall be requested to sign an extension to the statute of limitations. See Treasury Regulation 1.48.12(f)(2).

#### **4. What is the definition of "placed in service"?**

"Placed in service" generally means that the appropriate work has been completed which would allow for occupancy of either the entire building, or some identifiable portion of the building. See Treasury Regulation 1.46-3(d).

#### **5. How do you define placed in service when a building is never taken out of service?**

If the property remains in service during the rehabilitation, the placed in service date will be commensurate with the project completion date.

#### **6. What relationship exists between the substantially rehabilitated requirement and the placed in service requirement?**

If the substantial rehabilitation test has not been met at the time a building, or some portion of the building is actually placed in service, the building does not meet the definition of a qualified rehabilitated building. As such, placed in service is deemed to be at the point in time when the substantial rehabilitation test is actually met. See Internal Revenue Code Section 47(b)(1) and 47(c)(1)(C) and Treasury Regulation 1-48-12(f)(2) and 1.48-12(c)(6).

Generally speaking, the 24-month measuring period ends sometime during the year in which the property is placed in service. When comparing the taxpayer's qualified rehabilitation expenses to its basis, the expenses accrued over a 24-month period must end with or within the tax year the credit is being claimed. Exceptions to this rule exist if the building is never taken out of service during the rehabilitation. Then only the substantial rehabilitation test must be met. See Treasury Regulation 1.48-12(f)(2). In an elected 60-month phased rehabilitation, the court has ruled that the tax credit could not be claimed on assumed eligibility. The substantial rehabilitation test must be met. See *Ford vs. U.S.* 93-1 USTC.

#### **7. How do you compute adjusted basis?**

Adjusted basis of a building is the cost of the property (excluding land) plus or minus adjustments to basis. The County Assessor's office would be able to provide a building to land value ratio. Increases to basis include capital improvements, legal fees incurred in perfecting title, zoning costs, etc. Decreases to basis include deductions previously allowed or allowable for depreciation. See Treasury Regulation 1.48-12(b)(2)(iii).

For the substantial rehabilitation test, the date to determine the adjusted basis of the building is the first day of the 24-month measuring period or the first day of the taxpayer's holding period of the building, whichever is later. Generally the holding period is deemed to begin the day after acquisition.

#### **8. What is the effect on basis when a structure is rehabilitated?**

The basis of rehabilitated buildings, including certified historic structures, must be reduced by 100% of the rehabilitation credit earned regardless of whether the credit is used or carried forward. The reduction amount is added back if the credit is recaptured. See Treasury Regulation 1.48-12(e).

#### **9. What method of depreciation is required when claiming the rehabilitation tax credit?**

The rehabilitation credit is available only if the taxpayer uses the straight-line method of depreciation. The current recovery period is 27.5 years for residential rental property and 39 years for non-residential real property. See Treasury Regulation 1.48-12(c)(8).

## **10. How do the recapture rules apply?**

The rehabilitation credits are subject to recapture if the building is sold or ceases to be business use property. No recapture is required after five years. The amount of such recapture is reduced by 20% for each full year that elapses after the property is placed in service. Thus there is a 100% recapture if the property is disposed of less than one year after the property is first placed in service; an 80% recapture after one year, a 60% recapture after two years; a 40% recapture after three years; and a 20% recapture after four years. See Internal Revenue Code Section 50(a).

## **11. How is the rehabilitation tax credit computed when a portion of the property is not used for business?**

A qualified rehabilitation expenditure must be "properly chargeable to a capital account". This means the property must be depreciable. If a structure is used for both business and non-business (personal) use, an allocation of the rehabilitation expenditures must be made. The allocation is generally made based on a square footage percentage. The only expenditures eligible for the tax credit would be those associated with the business use portion of the property. When a personal residence is used also for business, the business use portion of the home (e.g. home office) would be eligible. Expenditures associated with common living areas, such as a kitchen, bedrooms, living room, bathrooms, would not be eligible because they are not used **exclusively** for business. If the owners of a Bed & Breakfast live on the premises, the business use portion would only be those areas which are used **exclusively** for business.

To be eligible for the rehabilitation tax credit, the property must be substantially rehabilitated. This means that the qualified rehabilitation expenses must exceed the entire building's adjusted basis. If property is used for both business and personal use, the adjusted basis would include both the business and personal use portions.

## **12. Can the unused portion of the rehabilitation tax credit be carried back and carried forward?**

If the credit, or a portion of tax credit, cannot be used, the excess can be carried back one year and forward for 20 years. See Internal Revenue Code Section 39(a).

## **13. Can a seller pass the rehabilitation tax credit to a buyer?**

The seller can pass the rehabilitation tax credit to a buyer provided that no one has already claimed the rehabilitation tax credit and the building acquired has not been placed in service by the seller before the date of acquisition.

The amount of expenditures that are treated as incurred by the buyer is the lesser of:

- the amount of expenses actually incurred before the acquisition or
- an allocable portion of the cost of the property if it is bought for an amount less than the rehabilitation expenditures actually incurred. See Treasury Regulation 1.48-12(c)(3)(ii)(B).

## **14. Can a taxpayer incur and claim additional rehabilitation costs in a taxable year after the year in which the rehabilitation credit was originally claimed?**

The rehabilitation tax credit is 20% of the qualified rehabilitation expenditures incurred before and during, but not after, a taxable year in which the property, or a portion thereof, was placed in service. Remedial work, or expenses necessary to obtain final approval by the National Park Service, will qualify provided the substantial rehabilitation test period includes these costs. It is possible that an additional rehabilitation credit would be allowable on a new project within the same property as long as that project involves a portion of the building that was not placed in service.

Alternatively, a taxpayer is allowed to perform second rehabilitation tax credit project on the same building provided the substantial rehabilitation test is met.

**15. Can a lessee of a building or a portion of the building claim a rehabilitation tax credit?**

If a lessee incurs the cost of rehabilitating a building and the lease term is greater than the recovery period determined under Internal Revenue Code Section 168(c), (39 years for non-residential real property, 27.5 years for residential rental), the lessee can claim the rehabilitation tax credit on qualified rehabilitation expenditures provided the substantial rehabilitation test is met.

A building owner, who incurs the cost of rehabilitating an historic structure, can elect to pass the rehabilitation tax credit to its lessee(s) provided the owner is not a tax exempt entity. See Internal Revenue Code Section 48(d) and 50(d)(5).

A tax exempt entity cannot pass the rehabilitation tax credit to its lessee(s) because Treasury Regulation 1.48-4(a)(1) requires that the property must be Section 38 property in the hands of the lessor; that is, it must be property with respect to which depreciation is allowable to the lessor.

**16. How is the rehabilitation tax credit claimed on a tax return?**

The credit is claimed on Form 3468. Attached to the Form 3468 ( or by way of a marginal notation), the following information must be provided. See Treasury Regulation 1.48-12(b)(2)(viii).

1. The beginning and ending dates of the measuring period selected by the taxpayer.
2. The adjusted basis of the building as of the beginning of the measuring period.
3. The amount of qualified rehabilitation expenditures incurred or treated as incurred during the measuring period.
4. A copy of the final certification of completed work by the Secretary of Interior.
5. If the adjusted basis is determined in whole or in part by reference to the adjusted basis of a person other than the taxpayer, the taxpayer must attach a statement by such third party as to the first day of the holding period, measuring period and adjusted basis calculation.

**17. Can a taxpayer claim the 10% rehabilitation tax credit on any building built before 1936?**

No. A taxpayer cannot claim a 10% rehabilitation tax credit on a building which is in the National Register of Historic Places or is located within a Registered Historic District unless it has been certified by the National Park Service as not contributing to the significance of the district through the submission of Part 1 of the Historic Preservation Certification Application.

If a building is not listed in the National Register, is not located in a Registered Historic District, or is located in a Registered Historic District but has been determined to be a non-contributing structure by the Department of the Interior, a 10% rehabilitation tax credit may be utilized provided the building:

1. Was placed in service before 1936;
2. Is used for non-residential rental purposes;
3. Has not been physically moved after 1936;
4. Meets the following internal and external wall retention:

- (a) 50% or more of the existing external walls are retained in place as external walls,
- (b) 75% or more of the existing external walls are retained in place as internal or external walls,
- (c) 75% or more of the existing internal structural framework is retained in place.

**18. Is the rehabilitation tax credit available for condominiums?**

The rehabilitation tax credit can generally be used by an individual condominium owner provided the condominium unit is held for the production of income, or is used in a trade or business. Thus, rehabilitation expenditures otherwise qualifying will not be eligible for the credit if the property is used for the taxpayer's personal use.

**19. Can a taxpayer claim the rehabilitation tax credit on property that is leased by a tax exempt entity, i.e. a governmental agency or a non-profit organization?**

Yes, taxpayers can lease their property to a tax exempt entity provided the lease does not result in a "disqualified lease" as defined in Internal Revenue Code Section 168(h)(1). A disqualified lease occurs when:

1. Part or all of the property was financed directly or indirectly by an obligation in which the interest is tax exempt under Internal Revenue Code Section 103(a) and such entity (or related entity) participated in the financing,
2. Under the lease there is a fixed or determinable purchase price or an option to buy,
3. The lease term is in excess of 20 years, or
4. The lease occurs after a sale or lease of the property and the lessee used the property before the sale or lease. See Internal Revenue Code Section 168(h)(1)(B)(ii).

An exception under the Treasury Regulations provides that property is not considered tax exempt use property if 35% or less of the property is leased to tax exempt entities in disqualified leases.

**20. If a building was rehabilitated and placed in service, can a taxpayer apply for certification and claim the rehabilitation tax credit "after the fact"?**

Yes, if the building is individually listed in the National Register.

No, if the building is located within a registered historic district. If the building is within a registered historic district, the taxpayer must request on or before the date the property was placed in service a determination from the Department of Interior that such building is an historic structure and the Department of Interior later determines that the building is a certified historic structure. This is accomplished with the submission of Part 1 of the Historic Preservation Certification Application. If Part 1 of the application was not submitted prior to when the property was placed in service, the taxpayer would not be eligible for the rehabilitation tax credit. See Treasury Regulation 1.48-12(d)(1).

**21. Can the rehabilitation tax credit be used in conjunction with the low income housing tax credit?**

Yes. As long as the building and rehabilitation expenditures qualify for both credits, there is no prohibition within the Internal Revenue Code for using the tax credits in tandem. The taxpayer must reduce the amount of rehabilitation expenditures eligible for the low income housing tax credit by the amount of

rehabilitation tax credit allowed. The computation for annual depreciation includes a reduction of the depreciable basis by the amount of rehabilitation tax credit allowed.

**22. Can the rehabilitation tax credit be used in conjunction with a façade easement contribution?**

Yes. Once the building and rehabilitation are "certified" by the Department of Interior, the owner of the building can donate the façade easement. Generally these donations are made to qualified organizations under Internal Revenue Code Section 170 and are considered to be donated in perpetuity. The rehabilitation tax credit and depreciable basis are reduced and no credit or depreciation can be taken on that portion of the building. If the donation occurs after the building is placed in service, the credit recapture provisions of Internal Revenue Code Section 50(a) apply. (See *Rome I Ltd. v. Commissioner*, 96 T.C. No. 29) By donating the façade easement, the taxpayer may be allowed a charitable contribution deduction pursuant to Internal Revenue Code Section 170(h) and Treasury Regulation 1.170A-14. The value of the façade easement is measured by the difference between the value of the property before and after the easement was conveyed.

A donation can be made by a subsequent owner of a certified historic structure as long as the façade was not donated by the previous owner.

**23. Can the rehabilitation tax credit be bought and sold?**

The rehabilitation tax credit, by itself, cannot be bought or sold. The rehabilitation tax credit is only available to the person or entity who holds title to the property. There can be no transfer of the credit without the requisite ownership. Syndication through limited partnerships is allowed and is a common tool to bring investors into rehabilitation projects.

Treasury Regulation 1.48-12(b)(2)(B)(vii) does allow the transfer of qualified rehabilitation expenditures to a new owner provided the previous owner did not place the property in service.

**24. Can a taxpayer claim the rehabilitation tax credit without receiving final approval by the National Park Service?**

Yes. Treasury Regulation 1.48-12(d)(7)(ii) states that if the final certification of completed work has not been issued by the Secretary of Interior at the time the tax return is filed for a year in which the credit is claimed, a copy of the first page of Part 2 of the Historic Preservation Certification Application must be attached to Form 3468 filed with the tax return. The taxpayer must reasonably expect that they will receive final approval and that their project will be certified by the National Park Service.

Final certification by the Department of Interior is required. If the taxpayer fails to receive final certification within 30 months after the date the taxpayer filed a tax return on which the credit was claimed, the taxpayer must agree to extend the period of assessment for any tax relating to the time for which the credit was claimed. If the final certification is denied by the Department of Interior, the credit will be disallowed for any taxable year in which it was claimed.

**25. Can a rehabilitation tax credit be claimed for expenses associated with noncontributing additions?**

Any expenditure attributable to an enlargement of an existing structure, i.e. a new addition, is specifically excluded from the definition of a qualified rehabilitation expenditure. See Internal Revenue Code Section 47(c)(2)(B)(iii). A building is enlarged to the extent that the total volume of the building increases. However, if the addition was made previously or over a period of time, the cost of rehabilitating this noncontributing addition may qualify for the rehabilitation tax credit.



**26. What is the definition of a building?**

Treasury Regulation 1.48-1(e) defines a building as any structure or edifice enclosing a space within its walls, and usually covered by a roof, the purpose of which is, for example, to provide shelter or housing, or to provide working, office, parking, display, or sales space.

**27. Is a sports stadium considered a building?**

A stadium was considered a building within the definition of Treasury Regulation 1.48-1(e) in Revenue Ruling 69-170.

**28. How does a cash basis taxpayer account for qualified rehabilitation expenditures?**

Treasury Regulation 1.48-12(c)(3) states that an expense is incurred by the taxpayer on the date such expenditure would be considered incurred under an accrual method of accounting, regardless of the method of accounting used by the taxpayer with respect to the other items of income and expense.

**29. What is not included in qualified rehabilitation expenditures?**

Qualified rehabilitation expenditures do not include:

1. Costs of acquiring the building or interest therein. See Treasury Regulation 1.48-12(c)(9).
2. Enlargement costs which expand the total volume of the existing building. Interior remodeling which increases floor space is not considered enlargement. See Treasury Regulation 1.48-12(c)(10).
3. Expenditures attributable to work done to facilities related to a building such as parking lots, sidewalks and landscaping. See Treasury Regulation 1.48-12(c)(5).
4. New building construction costs. See Treasury Regulation 1.48-12(b)(2)(B)(iv).

**30. What are some examples of expenses that do not qualify for the rehabilitation tax credit?**

- Acquisition costs
- Appliances
- Cabinets
- Carpeting (if tacked in place and not glued)
- Decks (not part of original building)
- Demolition costs (removal of a building on property site)
- Enlargement costs (increase in total volume)
- Fencing
- Feasibility studies
- Financing fees
- Furniture
- Landscaping
- Leasing Expenses
- Moving (building) costs (if part of acquisition)
- Outdoor lighting remote from building
- Parking lot
- Paving

- Planters
- Porches and Porticos (not part of original building)
- Retaining walls
- Sidewalks
- Signage
- Storm sewer construction costs
- Window treatments

### **31. What are some expenses that qualify for the rehabilitation tax credit?**

Any expenditure for a structural component of a building will qualify for the rehabilitation tax credit. Treasury Regulation 1.48-1(e)(2) defines structural components to include walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, components of central air conditioning or heating systems, plumbing and plumbing fixtures, electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes, and other components related to the operation or maintenance of the building.

In addition to the above named "hard costs", there are "soft costs" which also qualify. These include construction period interest and taxes, architect fees, engineering fees, construction management costs, reasonable developer fees, and any other fees paid that would normally be charged to a capital account.

### **32. Are there provisions in the Internal Revenue Code that could prevent a taxpayer from using the rehabilitation tax credit?**

Yes, certain provisions within the Internal Revenue Code can impact the full use of the rehabilitation tax credit. These include alternative minimum tax, tentative minimum tax and the passive activity rules. Consequently, taxpayers may not be able to use the entire tax credit available to them in one tax year. In situations where the tax credit can not be used as a result of alternative minimum tax the unused credit can be carried back or forward. The passive activity rules, however, allow unused credit only to be carried forward.

Form 3800, General Business Credit, will guide you through a series of computations to determine how much, if any, of the rehabilitation tax credit can be used in the current year. To alleviate any surprises, tax planning should include a "what if" scenario using Form 3800 as a guide to determine the anticipated tax credit.

### **33. What is alternative minimum tax?**

Taxpayers who are not required to pay tax under the regular tax system may still be liable for tax under alternative minimum tax laws. The purpose of alternative minimum tax (AMT) is to ensure that all taxpayers share the tax burden fairly. It prevents a taxpayer with substantial income from avoiding significant tax liability. Alternative minimum taxable income is computed from regular taxable income with certain adjustments and the addition of all appropriate tax preference items.

### **34. What will trigger alternative minimum tax?**

Common adjustments and tax preferences that could trigger alternative minimum tax include:

1. Large Schedule A itemized deductions such as:
  - Medical and dental expenses
  - Taxes (i.e. tax and local, real estate, personal property)

- Miscellaneous deductions (i.e. unreimbursed employee business expenses, investment expenses, education expenses)
2. Tax refunds (i.e. income tax, personal or real property tax)
  3. Use of accelerated depreciation.
  4. Gains or losses resulting from the sale of assets in which accelerated depreciation was used.

Other adjustments and preferences that could trigger alternative minimum tax, but are not as common as those described above, include: certain interest on a home mortgage not used to buy, build or improve your home; investment interest; incentive stock options; passive activities; beneficiaries of estates and trusts; tax-exempt interest from private activity bonds; certain charitable contributions; depletion; installment sales; intangible drilling costs; mining costs; tax shelter farm activities.

### **35. Even if alternative minimum tax applies, can the rehabilitation tax credit still be used to offset regular income tax?**

No, the rehabilitation tax credit cannot be used to reduce regular income tax if alternative minimum tax applies - no matter how large or small the alternative minimum tax.

Since the taxpayer has been denied the benefit of the rehabilitation tax credit due to the applicability of alternative minimum tax, the unused credit can be carried back 1 year and forward 20 years.

### **36. What is tentative minimum tax?**

Tentative minimum tax is computed on Form 6251, Alternative Minimum Tax - Individuals. Tentative minimum tax, which affects a great number of taxpayers, will reduce the amount of rehabilitation tax credit that can be used.

Once again, it is important that a taxpayer perform a "what if" computation to determine the effect of tentative minimum tax on the rehabilitation tax credit allowed for the current year.

Tentative minimum tax can exist without alternative minimum tax. Unlike alternative minimum tax, tentative minimum tax reduces the allowable tax credit rather than deny the benefit entirely.

### **37. What are Passive Activity Restrictions?**

The Tax Reform Act of 1986 introduced tax law changes which indirectly impacted the rehabilitation tax credit. One of these changes, the "Passive Activity Provisions," was intended to stop "abusive tax shelters." Although not directly related, these changes have impacted the availability of the rehabilitation tax credit for certain types of investors.

Modifications to the Passive Activity provisions under the Omnibus Budget Reconciliation Act of 1993, (effective for taxable years after December 31, 1993), provides some relief. The Act provides that deductions and credits, from rental real estate in which an eligible taxpayer materially participates, are not subject to limitation under the passive loss rules. An individual taxpayer is eligible if more than one-half of the taxpayer's business services for the taxable year, amounting to more than 750 hours of services, are performed in real property trade or business in which the taxpayer materially participates.

**38. How do the passive activity restrictions affect taxpayers with adjusted gross income greater than \$250,000?**

Individuals, including limited partners, with adjusted gross income greater than \$250,000 who invest in a rehabilitation tax credit project cannot use the tax credit to offset income tax in that tax year. The credit is suspended and carried forward and will be available when either income falls below \$200,000 (it is partially available when income falls between \$200,000 and \$250,000) or there exists net passive income sufficient to offset the passive losses generated by the rehabilitation project.

A computation is required to figure the regular tax liability allotted to passive activities. In other words, even if a taxpayer has net passive income, they might not be able to utilize all of the rehabilitation tax credit. Please see net passive income example below.

**39. If a taxpayer's investment is passive and income is below \$200,000, how is the tax credit affected?**

Generally, rental real estate losses up to \$25,000 may be deducted in full by anyone whose modified adjusted gross income is less than \$100,000. For investors in rehabilitation projects, this income level is raised to \$200,000. The rehabilitation tax credit, however, is limited to the credit equivalent of \$25,000. This does not mean that the taxpayer can deduct a credit of \$25,000. Instead a taxpayer is allowed the tax equivalent of \$25,000 for the rehabilitation tax credit. Thus, a taxpayer in the 36% tax bracket could use \$9,000 of tax credits per year ( $36\% \times \$25,000 = \$9,000$ ). Unused credits can be carried forward indefinitely until they can be used.

**40. If a taxpayer has net passive income, could the full use of the rehabilitation credit be restricted?**

Perhaps, as illustrated in the following example:

John rehabilitates a certified historic structure used in a business in which he does not materially participate and generates a rehabilitation tax credit of \$43,000. He files a joint return in 1996 reflecting \$160,000 in taxable income. Of this total, \$40,000 is from a passive activity (commercial rental).

John's total tax liability on the \$160,000 taxable income is \$42,095.

John's taxable income reduced by net passive activity income is \$120,000 ( $\$160,000 - \$40,000$ ). Tax on \$120,000 is \$29,080.

Tax liability applicable to the passive activity is \$13,015 ( $\$42,095 - \$29,080$ ).

John can use passive credits up to \$13,015 and carry forward unused credits of \$29,985 ( $\$43,000 - \$13,015$ ). Simply stated, the more passive income, the more tax credit can be used. The less passive income, the less tax credit can be used.

Please note: Credits generated from non-passive rehabilitation projects will not be limited.

**41. Under what circumstances would a taxpayer's rehabilitation tax credit not be limited?**

**Material Participation.** Generally if a taxpayer either works more than 500 hours a year or performs substantially all of the work in a business, he or she is deemed to be materially participating, and losses and/or income are non-passive. However, the material participation rules do not apply to long-term rental real estate activities. Real estate rental is passive by definition regardless of the 500-hour test.

Example:

John is an architect and rehabilitates a certified historic structure. If John uses the building for his architectural business, the credit is not limited because it is stemming from a non-passive activity. (Non-passive credit)

If John rehabilitates the same building and rents the space to a restaurant, the rehabilitated building is now rental real estate (passive by definition) and will be limited. (Passive credit)

**Real Estate Professionals.** If more than one half of a taxpayer's personal services in all business are in real property businesses (property development, construction, acquisition, conversion, rental, management, leasing, or brokering) and the taxpayer spends more than 750 hours a year in real property trade or businesses, the taxpayer is a real estate professional. If this is the case, any rehabilitation project the taxpayer is involved with, including rental real estate, will generate non-passive rehabilitation tax credits.

**Short-term rentals.** If a taxpayer rehabilitates an historic building and uses it for short term rental, such as a Bed & Breakfast or a Hotel/Motel, and materially participates in the operation of the business (i.e. spends more than 500 hours), the rehabilitation tax credit generated from this project is deemed to be non-passive, and the credit will not be restricted.

**Corporate entity.** While the passive activity loss rules do not generally apply to regular C-Corporations, they do apply to personal service corporations and to closely held corporations in a limited way. For personal service corporations and closely held corporations, material participation is determined based on the level of participation of the shareholders. One or more individuals who hold more than 50% of the outstanding stock must materially participate in the activity in order for the corporation to meet the material participation standard.

#### **42. Can a taxpayer's involvement be non-passive in one year and passive in the next year?**

Yes, passive activity rules are applied on a year-by-year basis. A taxpayer could materially participate in a business generating a rehabilitation tax credit in one year, use the rehabilitation tax credit and have a passive interest in the business operation the following year.

#### **43. If a partner sells his interest in a partnership will this trigger recapture?**

When rehabilitated property is owned by a partnership and a partner sells or disposes of all or a part of his partnership interest tax credit recapture may be required. Treasury Regulation 1.47-6(a)(2) states that if a partner's interest in the partnership is reduced to less than two-thirds of what it was when the property for which the rehabilitation tax credit is claimed was placed in service, the reduction is treated as a proportional disposition of the property. This is illustrated in the following example:

A limited partner has an 80% interest in a limited partnership that rehabilitated an historic structure in 1996. This limited partner's share of the rehabilitation tax credit amounted to \$100,000. If the limited partner's interest is reduced to 50% in 1999, three years from when the property was first placed in service, credit recapture is required. Since the limited partner's interest was reduced below two thirds (62.5%), the partner is considered to have disposed of 30/80 or 37.5% of the property. Recapture is computed as follows:

$$\$100,000 \times 37.5\% = \$37,500$$

$$\$37,500 \times 40\% \text{ (recapture \%)} = \$15,000$$

**44. If rehabilitation tax credit property is destroyed by casualty, will this trigger recapture?**

When a building that qualified for the rehabilitation tax credit is destroyed by a casualty (i.e. hurricane, flood, tornado, earthquake), within five years of first claiming the credit, the recapture provisions of Internal Revenue Code Section 50(a) apply.

Unlike the provisions set forth in Internal Revenue Code Section 42(j)(4)(E) which does not require recapture of low income housing tax credit property when it is completely destroyed but replaced within a reasonable amount of time, rehabilitation tax credit property would be subject to full recapture.

Partially damaged property would not trigger recapture if the owner makes the necessary repairs and places the property back in service.

If historic property in which the rehabilitation tax credit was claimed is destroyed and it is beyond the recapture period (five years from when building was placed in service), no recapture of rehabilitation credit would be required.

**45. What is the tax effect of grant proceeds on rehabilitation tax credit projects?**

Taxpayers who receive grants must first determine if the proceeds are taxable or non-taxable. If the grant money is taxable, the taxpayer has basis and the rehabilitation tax credit will be allowed on expenditures made with this money.

If the grant money is not taxable, taxpayers will have no basis and the rehabilitation tax credit cannot be claimed on the expenditures incurred with these proceeds.

Grants received by corporate taxpayers fall under the auspices of sections 118 and 362 (c) and would be considered tax-exempt contributions of capital by a non-shareholder. Consequently, no rehabilitation tax credit would be allowed for the expenditures made with these proceeds.

Grants received by non-corporate taxpayers, such as partnerships and individuals, will include the proceeds in income if they have dominion and control over the funds, unless the proceeds are provided as a general welfare grant or a National Historic Preservation Act grant.

# ELIGIBLE AND INELIGIBLE EXPENSES

## Expenses That Are Eligible:

Eligible rehabilitation expenses are expenses incurred by a taxpayer in the material rehabilitation of a certified historic structure and added to the property's capital account. All eligible expenses must be attributable to the basis of the property.

Structural components: Eligible expenses need to be permanently affixed parts of the building: walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows, doors, countertops, some appliances that cannot be easily removed, components of central air conditioning or heating systems, geo-thermal heating systems, plumbing & plumbing fixtures, electrical wiring & lighting fixtures, chimneys, stairs, escalators, elevators, sprinkler systems, fire escapes, asbestos removal, custom cabinetry built on site and designed specifically for the project, permanent office partitions built of sheet rock or gypsum board, gutters and downspouts on the building, French drains, drains leading away from the building if they are part of the gutter-downspout system, interior and exterior storm windows, septic systems, fire and smoke alarm systems.

Soft Costs: construction period interest and taxes, architect fees, engineering fees, insurance fees related to construction, construction management costs, reasonable developer fees, tax credit consultant fees, DHR and NPS tax credit review fees, CPA fees for providing cost certifications. Hauling and landfill fees for demolition debris are eligible, as well as the cost of renting portable toilets for the construction site.

Landscaping: Under the State rehabilitation tax credit program some historic man-made landscape elements may qualify if it can be demonstrated that they are significant character defining features and they are listed as contributing resources within the nomination.

## Expenses That Are Not Eligible:

Hard Costs: appliances that can be taken away (stoves, refrigerators, microwaves), carpeting (if tacked in place and not glued), decks (not part of original building), enlargements or new additions, furniture, window treatments, modular mass-produced cabinetry built off site, signage, specialty wiring not used for the usual electrical purposes (theater sound systems, hospital/medical equipment), modular mass-produced office partitions and electric generators – even if they are bolted to the floor. Moving shrubbery to repair a foundation is not eligible.

Soft Costs: acquisition costs, feasibility studies, financing fees, leasing costs, syndication costs, LEED certification fees, rental fees for storing furniture during the rehab.

Landscaping: Under the Federal rehabilitation tax credit program, landscaping costs are not an eligible expense. This includes plants, fencing, paving, planters, benches, retaining walls, and sidewalks.

Moving a building, even to save it from demolition, is not an eligible expense.



# Historic Preservation Certification Application Instructions

The National Park Service (NPS) administers the Federal Historic Preservation Tax Incentives program with the Internal Revenue Service (IRS) and in partnership with State Historic Preservation Offices. The tax incentives promote the rehabilitation of income-producing historic structures of every period, size, style and type. Through this program, underutilized or vacant schools, warehouses, factories, retail stores, apartments, hotels, houses, offices and other buildings throughout the country have been returned to useful life in a manner that maintains their historic character.

**The Historic Preservation Certification Application is a three-part application used to apply for certifications required for Federal historic preservation tax incentives.** The NPS certifies whether a building is a “certified historic structure” and whether a rehabilitation meets the Secretary of the Interior’s Standards for Rehabilitation and is consistent with the historic character of the building and, where applicable, with the district in which it is located.

Department of the Interior regulations (36 CFR Part 67) take precedence in the event of any inconsistency with this application. Approval of applications for Federal historic preservation tax incentives is conveyed only in writing by duly authorized officials of the NPS acting on behalf of the Secretary of the Interior. Approval of a project by other Federal, State, and local agencies and organizations does not ensure approval by the Secretary of the Interior for Federal tax purposes.

Applicants are *strongly* encouraged to contact their State Historic Preservation Office (SHPO) early in the project planning process, to submit applications describing proposed work, and to receive approval from the NPS before beginning rehabilitation work. Owners who undertake rehabilitation projects without prior approval from the NPS do so at their own risk. In the event of any discrepancy between the application form and supplementary materials submitted with it (such as architectural plans), the application form takes precedence. Photographs and other materials sent with the application become the property of the NPS and may be reproduced without permission.

IRS code and regulations govern all financial and other tax matters relating to the rehabilitation tax credits (Section 1.48-12) and the tax deduction for easement donations (Section 1.170A-14). General information, prepared by the IRS, about the tax aspects of these incentives is available at the program website. Specific questions about the tax aspects of these incentives should be addressed to the IRS. Approval of historic preservation certification applications by the NPS does *not* mean that applications meet IRS requirements.

## At a glance

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page 2	Before Applying
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page 10	Photographs for Certification Applications
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## Federal Tax Incentives for Historic Preservation

- 20% income tax credit for the “certified rehabilitation” of a “certified historic structure.”
- A “certified historic structure” is a building that is listed individually in the National Register of Historic Places; or located in a “registered historic district” and certified by the Secretary of the Interior as contributing to the historic significance of the district. A “registered historic district” is a district listed in the National Register or a state or local district certified by the Secretary of the Interior.



- A “certified rehabilitation” is a rehabilitation of a certified historic structure that the Secretary of the Interior has certified to the Secretary of the Treasury as being consistent with the historic character of the structure and, where applicable, with the district in which the structure is located.
- 10% income tax credit for rehabilitation for non-residential use of non-historic buildings built before 1936.
- Income and estate tax deductions for an easement donation on a “certified historic structure.”

Only depreciable properties can qualify for the tax credits. For the tax deductions for easement donations, the property need not be depreciable.

## Before Applying

- Consult an accountant, tax attorney, other tax advisor, or the IRS to determine whether these incentives apply to your own tax and financial situation.
- Make sure the project meets the “substantial rehabilitation” test and other IRS requirements.
- Contact your [State Historic Preservation Office \(SHPO\)](#) for information and technical assistance.
- Visit the [program website](#), which includes program regulations, frequently asked questions, Standards and Guidelines, technical guidance, and much more.

## Application Process

### Who May Apply

An applicant must be the owner of the property within the meaning of *owner* set forth in 36 CFR 67.2: “*Owner* means a person, partnership, corporation, or public agency holding a fee-simple interest in a property or any other person or entity recognized by the Internal Revenue Code for purposes of the applicable tax benefits.” For example, long-term lessees may also apply for such tax benefits as allowed by the applicable IRS provisions if their remaining lease period is at least 27.5 years for residential property or 39 years for nonresidential property.

If the applicant is not the fee-simple owner of the property, or is not the owner at the time of application within the meaning of *owner* described above, “the application must be accompanied by a written statement from the fee-simple owner indicating that he or she is aware of the application and has no objection to the request for certification” (36 CFR 67.3(a)1).

### How to Apply

Send two copies of the application and accompanying materials to the SHPO.

### When to Apply

- Apply at any time during the year.
- Apply before starting rehabilitation work whenever possible.
- The application parts may be sent separately or together, but if they are sent separately, Part 1 must precede Part 2.

### Review Process

The SHPO reviews the application and forwards it to the NPS with a recommendation. State recommendations are given full and due consideration. By law all certification decisions are made by the NPS on behalf of the Secretary of the Interior. The NPS decision may differ from the recommendation of the SHPO. The NPS notifies the applicant of the decision and provides a copy of all decisions to the IRS and the SHPO.

### Review Times

The review time for a complete application is generally 30 days at the SHPO and 30 days at the NPS. A complete application consists of the current version of the application form, including:

- an actual, original signed and dated cover sheet (the first page of the Part 1, Part 2, Amendment, or Part 3 form), with all sections completed, including the applicant’s social security number or taxpayer identification number and all other requested information; and
- the other sections (Description of Physical Appearance and Statement of Significance for Part 1 and Detailed Description of Rehabilitation Work for Part 2) and required supporting information (photographs, architectural drawings, etc.) for each form as described in these instructions.

Incomplete applications may be placed on hold for additional information or returned to the owner for resubmission. Older versions of the application form are not accepted.

Review of Part 2 and Part 3 applications by the NPS does not start until payment of the review fee has been received (see Review Fees, page 9).

## Part 1—Evaluation of Significance

**Applicants are strongly encouraged to submit applications and receive approval from the NPS prior to the start of work. Owners who undertake rehabilitation projects without prior approval from the NPS do so at their own risk.**

Use Part 1 to request certification that a building:

- contributes to the significance of a registered historic district or a National Register property with more than one building and is thus a “certified historic structure” for purposes of the 20% rehabilitation tax credit or for easement donation purposes.
- does not contribute to the significance of a historic district for purposes of the 10% rehabilitation tax credit for non-historic buildings.

Use Part 1 to request a preliminary determination:

- of whether an individual building not yet listed in the National Register of Historic Places might meet the National Register Criteria for Evaluation;
- of whether a building in a potential historic district contributes to the significance of the district;
- of whether a building outside the period or area of significance of a registered historic district contributes to the significance of the district.

If the property is a single building listed in the National Register of Historic Places, it is already a “certified historic structure,” and a Part 1 is not needed.

If the building is neither within a registered historic district nor individually listed in the National Register, the owner must submit a Part 1 and begin the separate process of requesting the SHPO to nominate the building or the district to the National Register.

**Late Submissions.** Owners who wait until after all work is complete, and the building is placed in service, before they file Part 1 of the application and, where applicable, request that SHPO nominate the building or district to the National Register, do not qualify for the 20% tax credit under IRS regulations. For additional information, see [Topical Tax Brief - Late Submission of Historic Preservation Certification Applications](#) on the program website.

### Evaluating Part 1

Part 1 decisions are made on the appearance and condition of the property prior to rehabilitation.

For buildings in historic districts, the information furnished with Part 1 applications must be sufficient:

### The Secretary of the Interior’s Standards for Evaluating Significance within Registered Historic Districts

1. A building contributing to the historic significance of a district is one which by location, design, setting, materials, workmanship, feeling and association adds to the district’s sense of time and place and historical development.
2. A building not contributing to the historic significance of a district is one which does not add to the district’s sense of time and place and historical development; or one where the location, design, setting, materials, workmanship, feeling and association have been so altered or have so deteriorated that the overall integrity of the property has been irretrievably lost.
3. Ordinarily buildings that have been built within the past 50 years shall not be considered to contribute to the significance of a district unless a strong justification concerning their historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

1) to document how the building relates to the district, and 2) to evaluate the historic character of the building. Applicants should consult the National Register historic district nomination (on file at the SHPO or at the local preservation commission). Such requests will be reviewed for conformance with the Secretary of the Interior’s Standards for Evaluating Significance within Registered Historic Districts.

Applications for preliminary determinations of individual listing will be evaluated using the National Register Criteria (36 CFR Part 60). For buildings that are in potential historic districts or that are outside the period or area of significance of a registered historic district, applications will be reviewed for conformance with the Standards for Evaluating Significance within Registered Historic Districts. (36 CFR 67.5)

### Completing Part 1 Form

**First page of form.** This page must be the actual, official cover sheet, must bear the applicant’s original signature, and must be dated. Other sections may be expanded as needed or continued on blank paper.

**Description of Physical Appearance.** Describe the major features of the building on both the exterior and the interior. Describe the building in its present condition (before rehabilitation), not as it was when first built nor as it will be after rehabilitation. Note the architectural style, exterior construction materials (wood, brick, etc.), type of roof (flat, gable, hipped, etc.), number of stories,

basic plan (rectangular, irregular, L-shaped, etc.), and distinguishing architectural features (placement and type of windows, chimneys, porches, decorative interior features or spaces). Describe changes made to the building since its construction (additions, porch enclosures, new storefronts, relocation of doors and windows) and interior alterations. Describe other buildings on the property such as carriage houses, barns, and sheds. (See Special Considerations: Multiple Buildings, page 5.) Discuss how the building relates to others in the district or neighborhood in terms of siting, scale, material, construction, and date.

Provide the construction date and date(s) of alterations. Give the source of the date. Check the appropriate box if the building has been moved.

**Example** - Building within a registered historic district

This three-story, flat-roofed, unpainted brick building, rectangular in shape, was constructed in 1850. It features regularly-spaced arched windows on the second and third floors (6 openings on the east elevation have been filled in over the years, exact date unknown), 2-over-2 double-hung sash, and a prominent bracketed cornice. The first floor of the facade has been altered: the existing storefront dates from ca. 1990. On the interior, the first floor is divided into two principal spaces—a large commercial space in front and a smaller office behind. The front room was greatly altered in the 1990's and contains no surviving historic fabric except for a simple wooden staircase running along the party wall. A pressed metal ceiling is the most prominent feature in the rear office; baseboards, paneled doors, and window and door surrounds also survive in this room. The upper floors have two rooms each, identical in configuration to the first floor; these rooms retain their original appearance, although they contain no architectural detailing of any kind (see photographs).

**Statement of significance.** Summarize how the building contributes to the significance of the district. This summary should relate to the significance of the district (including the district's period of significance) as identified in the National Register nomination or district documentation. This statement of significance should also relate to the Secretary of the Interior's Standards for Evaluating Significance within Registered Historic Districts. Is it similar to other buildings in the district in scale, building materials, style, and period of construction? Note important figures from the past associated with the building, any former uses, and the name of the architect or builder, if known.

**Example** - Building within a registered historic district

The district is an intact grouping of architecturally significant commercial and industrial buildings constructed between 1850 and 1915 that display a variety of styles and types of architectural ornamentation popular during this era. The district is also significant as an early manufacturing and

distribution center, which led to the city's growth as one of the largest cities in the state. Industrial growth in the late 19th and early 20th centuries required the construction of larger buildings, and several still exist within the boundaries of the district (see photographs). This modest three-story building is typical in appearance and history of the majority of the buildings in the district. It was originally built for manufacturing buttons, but was converted into a store with offices above during the 1880's when wholesaling grew as an important new activity in the district. The building is similar to its neighbors in size, scale, materials, and style.

**Send with the Part 1 Form**

**Ownership statement, if applicable.** If the applicant is not the fee-simple owner of the property, or is not the owner at the time of application within the meaning of *owner* set forth in 36 CFR 67.2, the application must be accompanied by a written statement from the fee-simple owner indicating that he or she is aware of the application and has no objection to the request for certification. (See **Who May Apply**, page 2)

**Photographs and photo key.** Send photographs of the property as it appears *before* rehabilitation. Include photographs of the building's site and environment, all of the building's sides, all major interior spaces and features, and representative secondary spaces and features. See page 9 for instructions on preparing and labeling photographs for certification applications.

**Map.** Send a map of the historic district, with the building location highlighted. If the application describes a property with more than one building, the map must show each structure.

**Special Considerations – Part 1**

Certain situations may require applicants to do additional research or provide additional information.

**Certifications of non-significance.** A certification of non-significance is a determination that a building does not contribute to the significance of a registered historic district. This certification is needed when a building is located in a historic district and the owner wishes to claim the 10% tax credit for rehabilitation of non-historic buildings. The application must demonstrate that the building lacks or has lost the characteristics that contributing buildings in the district possess. The application must show how the building compares to others in the neighborhood and the district. The documentation must address changes since the building's construction. Good photographs are essential; historic photographs should also be provided if possible. When certification of non-significance is requested for deteriorated or damaged buildings, it may be necessary to submit a structural engineer's report and additional information to document the deterioration or structural damage.

**Moved buildings.** Moving a building into or within a historic district can jeopardize its ability to contribute to the significance of the district. For a building that has been moved or will be moved, the Part 1 must document: 1) the effect of the move on the building's appearance (any proposed demolition, proposed changes in foundations, etc.); 2) the setting and environment of the proposed site; 3) the effect of the move on the historic and visual character of the district; and 4) the method for moving the building. The application must also include photographs of the previous and proposed environments, including sites, adjacent buildings, and streetscapes. For buildings individually listed in the National Register, the procedures in 36 CFR Part 60 must be followed before the move, or the buildings will be removed from the National Register, will not be considered certified historic structures, and will have to be renominated for listing.

**Properties less than 50 years old.** Properties less than 50 years old are generally considered not to contribute to the significance of a district and are ordinarily excluded from individual listing in the National Register. Standard 3 of the Secretary of the Interior's Standards for Evaluating Significance within Registered Historic Districts requires that to be certified as contributing to the district such properties must have exceptional historic or architectural merit or the district must encompass significant qualities and characteristics that are less than 50 years old. Documentation for these properties must explain how the property meets the requirements. (For information on the individual listing of properties less than 50 years old, refer to *National Register Bulletin No.22, How to Evaluate and Nominate Potential National Register Properties That Have Achieved Significance within the Last 50 Years.*)

**Multiple buildings and buildings functionally-related historically.** Some historic properties have more than one building. In these cases, Part 1 must describe all the buildings on the property, even those that will not undergo rehabilitation. This requirement applies to properties listed individually in the National Register and to properties in historic districts. The Part 1 must describe each building and its significance, and state whether it is a candidate for certification of significance or non-significance. The application must contain photographs of each building and a sketch map or site plan of the entire property. If the buildings were functionally related historically, the decisions regarding the certification of the rehabilitation will be based on the rehabilitation of the entire property, and not on each individual component, pursuant to 36 CFR 67.4(e) and 36 CFR 67.6(b)4.

**Preliminary determinations.** Applications for preliminary determinations must contain substantially the same level of documentation as National Register nominations, as specified in 36 CFR Part 60 and NPS instructions for completing National Register nominations. An application for a preliminary

determination for individual listing must show how the building meets the National Register Criteria for Evaluation. An application for a building in a potential historic district must describe the district and document how the district meets the criteria and how the building contributes to the significance of that district. An application for a preliminary determination for a building in a registered historic district that is outside the period or area of significance of the district must justify the expanded significance of the district and how the building contributes to the significance of the district. Preliminary determinations are not binding upon the NPS, and become final only when the building or district is listed in the National Register, or, for buildings outside the period or area of significance of a registered historic district, when the district documentation is formally amended.

## Part 2—Description of Rehabilitation

Part 2 describes rehabilitation work to be undertaken on the building, and must be completed by all applicants seeking the Federal income tax credit for the rehabilitation of historic buildings. Part 2 will not be reviewed by the NPS until Part 1 has been filed and acted upon.

**Applicants are strongly encouraged to submit applications describing proposed work and to receive approval from the NPS prior to the start of work. Owners who undertake rehabilitation projects without prior approval from the NPS do so at their own risk.**

### Evaluating Part 2

Proposed work will be evaluated using the Secretary of the Interior's Standards for Rehabilitation and 36 CFR 67.7. Conformance with the Standards will be determined on the basis of the application documentation and other available information by evaluating the property as it existed prior to the start of the rehabilitation work, regardless of when the property becomes or became a certified historic structure.

The Standards apply to both interior and exterior work, and the NPS reviews the entire rehabilitation project, including any attached, adjacent or related new construction on the property. The Standards are applied in a reasonable manner, taking into consideration economic and technical feasibility. Certification is based on whether the overall project meets the Standards. To be certified, a rehabilitation project must be determined to be consistent with the historic character of the building and, where applicable, the district in which it is located.

The Secretary's Standards for Rehabilitation take precedence over other regulations and codes in determining whether the rehabilitation project is consistent with the historic character of the property and, where applicable, the district in which it is located.



## Examples - Part 2 Description of Work

<b>Number 1</b>	Feature <u>Siding</u>	Date of Feature <u>ca. 1900</u>
<p>Describe existing feature and its condition</p> <p>The current siding appears to have been installed at the time of the 1900 expansion. The weatherboard is in fair condition except for those boards at the front of the house near the ground.</p> <p>Photo numbers <u>1-7, 10, 18</u></p> <p>Drawing numbers <u>N/A</u></p> <p>Describe work and impact on feature</p> <p>Most of the siding will be scraped, sanded, and repainted. Those boards that are in poor condition will be replaced with cedar that will be cut to match the dimensions and profile of the existing weatherboard. All new siding will be installed to match the overlap distance of the existing.</p>		
<b>Number 2</b>	Feature <u>Windows</u>	Date of Feature <u>mid-1800s</u>
<p>Describe existing feature and its condition</p> <p>The windows on the front and sides of the house are all matching 9/9 double-hung wood sash. Windows on the back are a variety of 20th century styles.</p> <p>Photo numbers <u>12, 19- 23</u></p> <p>Drawing numbers <u>5.2 thru 5.5</u></p> <p>Describe work and impact on feature</p> <p>The historic windows on the front will be repaired, cleaned, and repainted. Windows on the back will be replaced with wood windows in a 1/1 double hung configuration.</p>		

## Completing the Part 2 Form

**First page of form.** This page must be the actual, official cover sheet, must bear the applicant's original signature, and must be dated. Other sections may be expanded as needed or continued on blank paper.

The *estimated rehabilitation costs* must be reported on the form and are defined as the project's total estimated "Qualified Rehabilitation Expenditures," or "QREs," pursuant to [section 47 of the Internal Revenue Code](#). For a project involving multiple buildings that were functionally related historically pursuant to 36 CFR part 67, the costs reported on the form must be the total estimated rehabilitation costs of the entire project. If the rehabilitation project is to be phased pursuant to 36 CFR part 67, the costs reported on the form must be the total estimated rehabilitation costs for all phases.

**Detailed Description of Rehabilitation Work.** Describe *all* work that will be undertaken on the property, not simply work for which the tax credit will be sought. Describe each feature and the work that will be done on it. Begin with site work, followed by the exterior, including new construction, and then the interior. Give the photograph or drawing numbers that show the feature, and the marked photographs or drawing numbers showing the proposed work. Describe processes such as masonry cleaning in the application narrative; do not attach specification books. Include information relevant to the application of the Secretary of

the Interior's Standards for Rehabilitation and 36 CFR 67.7. For phased projects: In the Part 2, outline the work to be done in each phase; fully describe all work in those phases for which detailed information is available. Submit Amendments providing full details for work in later phases as they become available.

## Send with the Part 2 Form

**Ownership statement, if applicable.** If the applicant is not the fee-simple owner of the property, or is not the owner at the time of application within the meaning of *owner* set forth in 36 CFR 67.2, the application must be accompanied by a written statement from the fee-simple owner indicating that he or she is aware of the application and has no objection to the request for certification. (See **Who May Apply**, page 2) If the statement was submitted with a previous part of the application, a duplicate copy is not required.

**Photographs and photo key.** Send photographs showing the interior and the exterior *before* rehabilitation. Include the building's site and environment, all of the building's sides, all major interior spaces and features, and representative secondary spaces and features, including areas where no work is proposed. See page 9 for instructions on preparing and labeling photographs for certification applications.

**Architectural drawings or sketches.** Send architectural drawings or sketches showing the existing conditions and the proposed rehabilitation work and any

## The Secretary of the Interior's Standards for Rehabilitation

Rehabilitation projects must meet the following Standards, as interpreted by the National Park Service, to qualify as “certified rehabilitations” eligible for the 20% rehabilitation tax credit. The Standards are applied to projects in a reasonable manner, taking into consideration economic and technical feasibility.

The Standards, codified in 36 CFR 67.7, apply to historic buildings of all periods, styles, types, materials, and sizes. They apply to both the exterior and the interior of historic buildings. The Standards also encompass related landscape features and the building’s site and environment as well as attached, adjacent, or related new construction.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

new additions or new construction. Include floor plans and, where necessary, sections and elevations. Dimensions and notes must be clearly legible. For small projects, sketches may suffice. Drawings must be numbered and keyed to the application narrative.

### Special Rehabilitation Concerns

Several treatments can be problematic. The [Guidelines for Rehabilitating Historic Buildings](#) accompanying the Secretary of the Interior's Standards for Rehabilitation, as well as information available on the [NPS website](#), provide further guidance on these and other treatments. Applicants should address these concerns when undertaking work in any of these areas and include the information outlined below in the application.

**Exterior masonry cleaning.** Owners are strongly encouraged to clean masonry only when necessary to halt deterioration or to remove graffiti and stains. Indicate the condition of each material to be cleaned. Specify what the cleaning is intended to accomplish (soot removal, paint removal, etc.) and what process is to be used. When chemical systems are to be employed, specify the product to be used and its application. Information for cleaning involving chemical processes should include products to be used and water pressure in pounds per square inch (psi). Provide material to show that the method selected will not harm the masonry. Summarize results of test patches, and include close-up color photographs of masonry surfaces before and after cleaning as evidence.

**Exterior masonry repair.** Indicate deteriorated areas and describe repair method proposed. Provide evidence that repointing mortar will match the historic in composition (ratio of lime, cement, sand and any additives), color, texture, and tooling. Owners are encouraged to repoint only those portions of the masonry that require repair.

**New windows.** If replacement is proposed, indicate the condition of existing windows (sash, glazing, muntins, etc.) and the reasons for replacement. Photographs must be provided as evidence of severe deterioration; provide data on the cost of repairing existing windows versus installing replacements. Owners are strongly encouraged to retain and repair historic windows. Tinted glass often causes a change in character and may result in denial of certification. Where replacement of existing windows appears justified by supporting documentation, and where the windows are an integral part of the building's design and character, replacement sash must match the original in size, pane configuration, color, trim details, and planar and reflective qualities, and, in most cases, materials. Scaled drawings comparing the existing windows with the replacement windows must be provided.

**Storefront alterations.** Justify changes to storefronts and provide photographs of the areas to be altered. Document the date of construction of the existing storefront and its condition. If a historical treatment is planned, provide the evidence on which the proposed new storefront designs are based. Owners are strongly discouraged from introducing a storefront or new design element that alters the character of the structure and its relationship with the street or that causes destruction of significant historic material.

**Interior partitions, trim, and finishes.** Document the existing condition of the interior. Indicate both historic and non-historic walls. Show walls to be removed or altered. Note whether trim and wall and ceiling finishes will be affected. Owners are strongly discouraged from changing historic floor plans unnecessarily and from exposing masonry surfaces unless this condition is supported by historical evidence.

**New heating, ventilation, and air-conditioning (HVAC) systems.** Indicate what effect the new equipment and ductwork will have on the historic building. New systems must not run across windows or introduce an "unfinished" character to finished interior spaces. Installation of systems that cause damage to the historic building material or visual loss of character may result in denial of certification.

**New additions and new construction.** New additions may substantially alter the appearance and form of historic structures, and may cause denial of certification. Similarly, new construction, including site work, may affect the relationship of a structure to its site, change the historic landscape, or otherwise damage the historic

character of the property. Owners are strongly encouraged to obtain NPS approval before undertaking projects involving new additions or new construction.

## Amendments / Advisory Determinations

Use an Amendment form to:

- Submit information requested by the NPS for an application under review and on hold
- Inform the NPS of a change in ownership
- Amend a previously submitted Part 1, 2, or 3 application.
- Request an advisory determination as to whether a completed phase of a phased rehabilitation project meets the Secretary of the Interior's Standards for Rehabilitation

### Completing the Amendment Form

**First page of form.** This page must be the actual, official cover sheet, must bear the applicant's original signature, and must be dated. Other sections may be expanded as needed or continued on blank paper.

**To amend a previously submitted application.** Briefly describe changes to the original application. Describe in detail in attachments if necessary.

**To request an advisory determination on a completed phase of a phased project.** List work items completed in the phase, and give the phase completion date. Continue in attachments if necessary. The *phase completion date* is the date that all work related to the phase was completed. If the phase completion date and the date the phase is placed in service pursuant to IRS regulations are different, the date the phase was completed is the date that must be reported on the form.

The *estimated rehabilitation costs of phase* must be reported on the form and are defined as the phase's estimated "Qualified Rehabilitation Expenditures," or "QREs," pursuant to [section 47 of the Internal Revenue Code](#).

Please note that IRS rules require phasing plans to be set forth before a project begins. See the [IRS regulations](#) for information on meeting this requirement.

### Send with Amendment Form

**Ownership statement, if applicable.** If the applicant is not the fee-simple owner of the property, or is not the owner at the time of application within the meaning of *owner* set forth in 36 CFR 67.2, the application must be accompanied by a written statement from the fee-

simple owner indicating that he or she is aware of the application and has no objection to the request for certification. (See **Who May Apply**, page 2) If the statement was submitted with a previous part of the application, a duplicate copy is not required.

#### **Amendments to previously submitted applications.**

Send photographs and architectural drawings or sketches needed to illustrate the amendment for which approval is requested.

**Advisory determinations on a completed phase of a phased project.** Send photographs equivalent to the documentation required for a Part 3 application for that phase. See page 9 for instructions on preparing and labeling photographs for certification applications.

### **Part 3—Request for Certification of Completed Work**

Use the Part 3 form to request approval of an entire completed rehabilitation work. For a completed phase of a project, use an Amendment form. The completed project may be inspected by an authorized representative of the Secretary of the Interior to determine if the work meets the Standards for Rehabilitation.

#### **Completing Part 3**

**First page of form.** This page must be the actual, official cover sheet, must bear the applicant's original signature, and must be dated. Other sections may be expanded as needed or continued on blank paper.

The *project completion date* is the date that all work related to the project was completed. If the project completion date and the date the property is "placed in service" pursuant to IRS regulations are different, the date the project was completed is the date that must be reported on the form.

Both the *estimated rehabilitation costs* and the *total estimated costs*, which includes the costs attributable to the rehabilitation plus all other project costs, must be reported on the form. The *estimated rehabilitation costs* are defined as the project's estimated "Qualified Rehabilitation Expenditures," or "QREs," pursuant to [section 47 of the Internal Revenue Code](#). If the rehabilitation project was phased or involved multiple buildings that were functionally related historically pursuant to 36 CFR part 67, the costs reported on the form must be the total costs for the entire project.

On page 2, list all additional owners with their addresses and Social Security or Taxpayer ID Numbers; continue on additional sheets as necessary.

#### **Send with the Part 3 Form**

**Ownership statement, if applicable.** If the applicant is not the fee-simple owner of the property, or is not the owner at the time of application within the meaning of *owner* set forth in 36 CFR 67.2, the application must be accompanied by a written statement from the fee-simple owner indicating that he or she is aware of the application and has no objection to the request for certification. (See **Who May Apply**, page 2) If the statement was submitted with a previous part of the application, a duplicate copy is not required.

Send photographs taken after completion of the rehabilitation work showing the same views as in the Part 2. See below for instructions on preparing and labeling photographs for certification applications.

**Late Submissions.** If a taxpayer claims the rehabilitation tax credit, but never receives Part 3 approval from the NPS, the taxpayer will be subject to recapture of the credit. For additional information concerning late submissions and the IRS regulations, see [Topical Tax Brief - Late Submission of Historic Preservation Certification Applications](#) on the program website.

### **Photographs for Certification Applications**

Applications with photographs that are not adequate for review will be placed on hold, and applicants will need to submit better quality photographs before the NPS can complete review of the application.

**Number of photographs.** Applicants must use their judgment as to how many photographs adequately "tell the story" of their building. Large or complex projects often require more photographs to illustrate the various elements and areas the building and site.

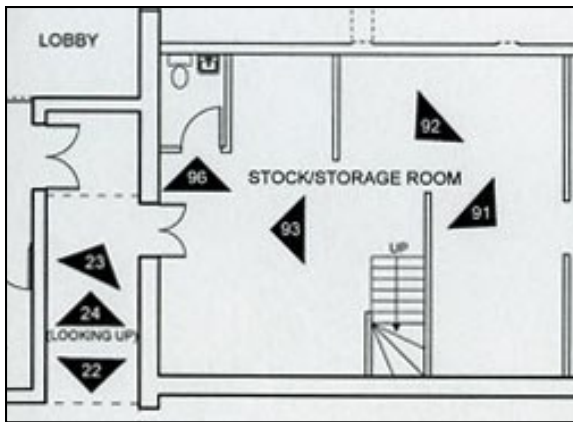
**Labeling photographs.** Photographs must be labeled with the following information:

- Building name (if applicable) and address
- View shown (north side)
- Description of the view (plaster damage in dining room, north wall)
- Date taken

Photographs must be numbered and keyed to both the description of proposed work in the application and photo key plans of the building and site.



### Example of a photo key



**Clarity of photographs.** Photographs must be clear and must have sufficient resolution to show the details required for review of rehabilitation work. Photographs must be:

- In color
- Taken at a high resolution
- Printed on photographic, not photocopy, paper. Professional printing is recommended for best results
- Printed at least 4" x 6" in size

**Format of photographs.** Photographs must be printed. Photocopied photographs (black and white or color), and photographs smaller than 4" x 6" are not accepted. Applicants may submit disks of digital photographs, only if printed photographs meeting all of the above criteria are also included in the application materials submitted for review.

### Review Fees

The NPS charges a fee for reviewing Part 2 and Part 3 applications according to the fee schedule posted on the [program website](#). Review fees are based on the *estimated rehabilitation costs* reported on the application forms and defined as the project's total estimated "Qualified Rehabilitation Expenditures," or "QREs," pursuant to [section 47 of the Internal Revenue Code](#). If the rehabilitation project is phased and/or involves multiple buildings that were functionally related historically pursuant to 36 CFR part 67, the costs reported on the form are the *total* costs for the entire project.

The NPS will bill you for the review fee upon receipt of your application. Do not send payment until requested to do so by the NPS.

Review of Part 2 and Part 3 applications by the NPS does not start until payment has been received.

### For More Information

See the for [program website](#) for more information on the historic preservation tax incentives, including:

- Program regulations
  - [NPS/Department of the Interior regulations, 36 CFR Part 67](#)
  - [Internal Revenue Code Section 47, Rehabilitation credit](#)
  - [IRS Regulations—26 CFR 1.48-12, Qualified rehabilitated buildings](#)
- The [Secretary of the Interior's Standards for Rehabilitation and accompanying Guidelines](#)
- [Planning Successful Rehabilitation Projects](#)
- [Applying the Secretary's Standards to Rehabilitation Projects](#)
- [Technical information](#) on a variety of rehabilitation issues
- Information on the [IRS aspects of the program](#)
- An [online database](#) for application status checks

Contact your SHPO for information regarding state incentives for historic preservation.

### Contact Us

#### National Park Service

[www.nps.gov/tps/tax-incentives.htm/](http://www.nps.gov/tps/tax-incentives.htm/)

e-mail: [NPS\\_TPS@nps.gov](mailto:NPS_TPS@nps.gov)

202-513-7270

#### State Historic Preservation Offices

[www.ncshpo.org/](http://www.ncshpo.org/)

**Recordkeeping Requirements**

The National Park Service submits certifications provided in The Historic Preservation Certification Application to the Internal Revenue Service in accordance with law. Applicants for such certifications are therefore advised to keep all records relating to these certifications in accordance with the time periods established by the Internal Revenue Service.

**Privacy Act and Paperwork Reduction Act Notice**

The information requested in this application is being collected through the State Historic Preservation Offices to enable the Secretary of the Interior to evaluate the historic significance of structures located in historic districts, and to evaluate the rehabilitation of such structures. The primary use of this information by the Secretary of the Interior will be to certify to the Secretary of the Treasury that the applicant is eligible for Federal tax incentives, or that the applicant is not eligible for such incentives. Response to this request is required to obtain a benefit. This application is used by the Internal Revenue Service to confirm that applicants for the tax incentives have obtained the certifications concerning historic structures and rehabilitations that are required by law. Collection of owners' Social Security Numbers or Taxpayers Identification Numbers is authorized by Internal Revenue Code section 61. This information is not disclosed to any other parties other than to the Internal Revenue Service, or to the U.S. Department of Justice in the case of an investigation.

Public reporting burden for this form—including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form—is estimated to average 27 hours per response for Part 1; 51 hours per response for Part 2; 17 hours for an Amendment/Phase Advisory, and 14 hours per response for Part 3. (These time estimates for completing the forms are based on the average rehabilitation project, one with rehabilitation expenses of \$4 million. Over half of all projects are for rehabilitations costing less than \$1 million.) Comments regarding this burden estimate or any aspect of this form may be made to the Chief, Technical Preservation Services, National Park Service, 1201 "Eye" St., NW, Washington, D.C. 20005. A Federal agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number. OMB has approved this application and has assigned it control number 1024-0009.



UNITED STATES DEPARTMENT OF THE INTERIOR  
NATIONAL PARK SERVICE

OMB Approved  
No. 1024-0009  
Form 10-168  
Rev. 2014

**HISTORIC PRESERVATION CERTIFICATION APPLICATION**  
**PART 1 – EVALUATION OF SIGNIFICANCE**

NPS Project Number

**Instructions:** This page must bear the applicant's original signature and must be dated. The National Park Service certification decision is based on the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings and specifications), the application form takes precedence. A copy of this form will be provided to the Internal Revenue Service.

**1. Property Name** \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ County \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name of Historic District \_\_\_\_\_

☐ National Register district ☐ certified state or local district ☐ potential district

**2. Nature of request** (check only one box)

- ☐ certification that the building contributes to the significance of the above-named historic district or National Register property for rehabilitation purposes.
- ☐ certification that the building contributes to the significance of the above-named historic district for a charitable contribution for conservation purposes.
- ☐ certification that the building does not contribute to the significance of the above-named district.
- ☐ preliminary determination for individual listing in the National Register.
- ☐ preliminary determination that a building located within a potential historic district contributes to the significance of the district.
- ☐ preliminary determination that a building outside the period or area of significance contributes to the significance of the district.

**3. Project Contact** (if different from applicant)

Name \_\_\_\_\_ Company \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**4. Applicant**

I hereby attest that the information I have provided is, to the best of my knowledge, correct. I further attest that [check one or both boxes, as applicable] (1) ☐ I am the owner of the above-described property within the meaning of "owner" set forth in 36 CFR § 67.2 (2011), and/or (2) ☐ if I am not the fee simple owner of the above-described property, the fee simple owner is aware of the action I am taking relative to this application and has no objection, as noted in a written statement from the owner, a copy of which (i) either is attached to this application form and incorporated herein, or has been previously submitted, and (ii) meets the requirements of 36 CFR § 67.3(a)(1) (2011). For purposes of this attestation, the singular shall include the plural wherever appropriate. I understand that knowing and willful falsification of factual representations in this application may subject me to fines and imprisonment under 18 U.S.C. § 1001, which, under certain circumstances, provides for imprisonment of up to 8 years.

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Applicant Entity \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**NPS Official Use Only**

The National Park Service has reviewed the Historic Preservation Certification Application – Part 1 for the above-named property and has determined that the property:

- ☐ contributes to the significance of the above-named district or National Register property and is a "certified historic structure" for rehabilitation purposes.
- ☐ contributes to the significance of the above-named district and is a "certified historic structure" for a charitable contribution for conservation purposes.
- ☐ does not contribute to the significance of the above-named district.

**Preliminary Determinations:**

- ☐ appears to meet the National Register Criteria for Evaluation and will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer according to the procedures set forth in 36 CFR Part 60.
- ☐ does not appear to meet the National Register Criteria for Evaluation and will likely not be listed in the National Register.
- ☐ appears to contribute to the significance of a potential historic district, which will likely be listed in the National Register of Historic Places if nominated by the State Historic Preservation Officer.
- ☐ appears to contribute to the significance of a registered historic district if the period or area of significance as documented in the National Register nomination or district documentation on file with the NPS is expanded by the State Historic Preservation Officer.
- ☐ does not appear to qualify as a certified historic structure.

Date \_\_\_\_\_

National Park Service Authorized Signature \_\_\_\_\_

☐ NPS comments attached

**HISTORIC PRESERVATION CERTIFICATION APPLICATION**  
**PART 1 – EVALUATION OF SIGNIFICANCE**

Property name \_\_\_\_\_ NPS Project Number \_\_\_\_\_

Property address \_\_\_\_\_

**5. Description of physical appearance**

Date(s) of building(s) \_\_\_\_\_ Date(s) of alteration(s) \_\_\_\_\_

Has building been moved? ☐ no ☐ yes, specify date \_\_\_\_\_

**6. Statement of significance**

**7. Photographs and maps.** Send photographs and map with application.



UNITED STATES DEPARTMENT OF THE INTERIOR  
NATIONAL PARK SERVICE

OMB Approved  
No. 1024-0009  
Form 10-168  
Rev. 2014

**HISTORIC PRESERVATION CERTIFICATION APPLICATION**  
**PART 2 – DESCRIPTION OF REHABILITATION**

NPS Project Number

**Instructions:** This page must bear the applicant's original signature and must be dated. The National Park Service certification decision is based on the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings and specifications), the application form takes precedence. A copy of this form will be provided to the Internal Revenue Service.

**1. Property Name** \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ County \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name of Historic District \_\_\_\_\_

☐ Listed individually in the National Register of Historic Places; date of listing \_\_\_\_\_

☐ Located in a Registered Historic District; name of district \_\_\_\_\_

☐ Part 1 – Evaluation of Significance submitted? Date submitted \_\_\_\_\_ Date of certification \_\_\_\_\_

**2. Project Data**

Date of building \_\_\_\_\_ Estimated rehabilitation costs (QRE) \_\_\_\_\_

Number of buildings in project \_\_\_\_\_ Floor area before / after rehabilitation \_\_\_\_\_ / \_\_\_\_\_ sq ft

Start date (estimated) \_\_\_\_\_ Use(s) before / after rehabilitation \_\_\_\_\_ / \_\_\_\_\_

Completion date (estimated) \_\_\_\_\_ Number of housing units before / after rehabilitation \_\_\_\_\_ / \_\_\_\_\_

Number of phases in project \_\_\_\_\_ Number of low-moderate income housing units before / after rehabilitation \_\_\_\_\_ / \_\_\_\_\_

**3. Project Contact (if different from applicant)**

Name \_\_\_\_\_ Company \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**4. Applicant**

I hereby attest that the information I have provided is, to the best of my knowledge, correct. I further attest that [check one or both boxes, as applicable] (1) ☐ I am the owner of the above-described property within the meaning of "owner" set forth in 36 CFR § 67.2 (2011), and/or (2) ☐ if I am not the fee simple owner of the above-described property, the fee simple owner is aware of the action I am taking relative to this application and has no objection, as noted in a written statement from the owner, a copy of which (i) either is attached to this application form and incorporated herein, or has been previously submitted, and (ii) meets the requirements of 36 CFR § 67.3(a)(1) (2011). For purposes of this attestation, the singular shall include the plural wherever appropriate. I understand that knowing and willful falsification of factual representations in this application may subject me to fines and imprisonment under 18 U.S.C. § 1001, which, under certain circumstances, provides for imprisonment of up to 8 years.

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Applicant Entity \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

☐ Applicant, SSN, or TIN has changed since previously submitted application.

**NPS Official Use Only**

The National Park Service has reviewed the Historic Preservation Certification Application – Part 2 for the above-named property and has determined that:

☐ the rehabilitation described herein is consistent with the historic character of the property and, where applicable, with the district in which it is located and that the project meets the Secretary of the Interior's Standards for Rehabilitation. This letter is a preliminary determination only, since a formal certification of rehabilitation can be issued only to the owner of a "certified historic structure" after rehabilitation work is complete.

☐ the rehabilitation or proposed rehabilitation will meet the Secretary of the Interior's Standards for Rehabilitation if the attached conditions are met.

☐ the rehabilitation described herein is not consistent with the historic character of the property or the district in which it is located and that the project does not meet the Secretary of the Interior's Standards for Rehabilitation.

\_\_\_\_\_  
Date National Park Service Authorized Signature

☐ NPS conditions or comments attached

## HISTORIC PRESERVATION CERTIFICATION APPLICATION

### PART 2 – DESCRIPTION OF REHABILITATION

Property name \_\_\_\_\_ NPS Project Number \_\_\_\_\_

Property address \_\_\_\_\_

**5. Detailed description of rehabilitation work** Use this page to describe all work or create a comparable format with this information.  
Number items consecutively to describe all work, including building exterior and interior, additions, site work, landscaping, and new construction.

Number	Feature	Date of Feature
--------	---------	-----------------

Describe existing feature and its condition

Photo numbers \_\_\_\_\_ Drawing numbers \_\_\_\_\_

Describe work and impact on feature

Number	Feature	Date of Feature
--------	---------	-----------------

Describe existing feature and its condition

Photo numbers \_\_\_\_\_ Drawing numbers \_\_\_\_\_

Describe work and impact on feature

Add Item



UNITED STATES DEPARTMENT OF THE INTERIOR  
NATIONAL PARK SERVICE

OMB Approved  
No. 1024-0009  
Form 10-168  
Rev. 2014

**HISTORIC PRESERVATION CERTIFICATION APPLICATION**  
**PART 3 – REQUEST FOR CERTIFICATION OF COMPLETED WORK**

NPS Project Number

**Instructions:** This page must bear the applicant's original signature and must be dated.

**1. Property Name** \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ County \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Is property a certified historic structure? ☐ yes ☐ no If yes, date of NPS certification \_\_\_\_\_ OR date of National Register listing \_\_\_\_\_

**2. Project Data**

Project start date \_\_\_\_\_ Project completed and building placed in service date \_\_\_\_\_

Estimated rehabilitation costs (QRE) \_\_\_\_\_ Total estimated costs (QRE plus non-QRE) \_\_\_\_\_

Number of housing units before/after rehabilitation \_\_\_\_\_ / \_\_\_\_\_ Number of low-moderate housing units before/after rehabilitation \_\_\_\_\_ / \_\_\_\_\_

**3. Project Contact** (if different from applicant)

Name \_\_\_\_\_ Company \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

**4. Applicant** List all additional owners on next page.

I hereby attest that the information I have provided is, to the best of my knowledge, correct and that I am the owner of the above-described property within the meaning of "owner" set forth in 36 CFR § 67.2 (2011). If I am not the fee simple owner of the above-described property, then I have checked the following box ☐ to attest that the fee simple owner is aware of the action I am taking relative to this application and has no objection, as noted in a written statement from the owner, a copy of which statement (a) either is attached to this application form and incorporated herein, or has been previously submitted, and (b) meets the requirements of 36 CFR § 67.3(a) (1) (2011). For purposes of this attestation, the singular shall include the plural wherever appropriate. I understand that knowing and willful falsification of factual representations in this application may subject me to fines and imprisonment under 18 U.S.C. § 1001, which, under certain circumstances, provides for imprisonment of up to 8 years.

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Applicant Entity \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

☐ Applicant, SSN, or TIN has changed since previously submitted application.

☐ There are no additional owners within the meaning of "owner" set forth in 36 CFR § 67.2 (2011).

**NPS Official Use Only**

The National Park Service has reviewed the Historic Preservation Certification Application – Request for Certification of Completed Work (Part 3) for this property and has determined that:

- ☐ the completed rehabilitation meets the Secretary of the Interior's Standards for Rehabilitation and is consistent with the historic character of the property and, where applicable, the district in which it is located. Effective the date indicated below, the rehabilitation of the "certified historic structure" is hereby designated a "certified rehabilitation." This certification is to be used in conjunction with appropriate Internal Revenue Service regulations. Questions concerning specific tax consequences or interpretations of the Internal Revenue Code should be addressed to the Internal Revenue Service. Completed projects may be inspected by an authorized representative of the Secretary to determine if the work meets the Standards for Rehabilitation. The Secretary reserves the right to make inspections at any time up to five years after completion of the rehabilitation and to revoke certification, if it is determined that the rehabilitation project was not undertaken as presented by the owner in the application form and supporting documentation, or the owner, upon obtaining certification, undertook unapproved further alterations as part of the rehabilitation project inconsistent with the Secretary's Standards for Rehabilitation.
- ☐ the completed rehabilitation meets the Secretary of the Interior's Standards for Rehabilitation. However, because this property is not yet a "certified historic structure," the rehabilitation cannot be designated a "certified rehabilitation" eligible for Federal tax credits at this time. It will become a "certified historic structure" on the date it or the historic district in which it is located is listed in the National Register of Historic Places. On that date, the completed rehabilitation will automatically become a "certified rehabilitation." It is the owner's responsibility to obtain such listing through the State Historic Preservation Office. Questions concerning specific tax consequences or interpretations of the Internal Revenue Code should be addressed to the Internal Revenue Service. Completed projects may be inspected by an authorized representative of the Secretary to determine if the work meets the Standards for Rehabilitation. The Secretary reserves the right to make inspections at any time up to five years after completion of the rehabilitation and to revoke certification, if it is determined that the rehabilitation project was not undertaken as presented by the owner in the application form and supporting documentation, or the owner, upon obtaining certification, undertook unapproved further alterations as part of the rehabilitation project inconsistent with the Secretary's Standards for Rehabilitation.
- ☐ the rehabilitation is not consistent with the historic character of the property or the district in which it is located and that the project does not meet the Secretary of the Interior's Standards for Rehabilitation.

A copy of this determination will be provided to the Internal Revenue Service in accordance with Federal law.

\_\_\_\_\_  
Date

\_\_\_\_\_  
National Park Service Authorized Signature

☐ NPS comments attached

**HISTORIC PRESERVATION CERTIFICATION APPLICATION**  
**PART 3 – REQUEST FOR CERTIFICATION OF COMPLETED WORK**

Property name \_\_\_\_\_ NPS Project Number \_\_\_\_\_

Property address \_\_\_\_\_

---

**Additional Owners** Continue on additional sheets as needed to list all owners.

Name \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Name \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_





UNITED STATES DEPARTMENT OF THE INTERIOR  
NATIONAL PARK SERVICE

OMB Approved  
No. 1024-0009  
Form 10-168  
Rev. 2014

**HISTORIC PRESERVATION CERTIFICATION APPLICATION  
AMENDMENT / ADVISORY DETERMINATION**

NPS Project Number

**Instructions:** This page must bear the applicant's original signature and must be dated.

1. **Property name** \_\_\_\_\_

**Property address** \_\_\_\_\_

2. This form ☐ includes additional information requested by NPS for an application currently on hold.  
☐ updates applicant or contact information.  
☐ amends a previously submitted ☐ Part 1 ☐ Part 2 ☐ Part 3 application.  
☐ requests an advisory determination that phase \_\_\_\_\_ of \_\_\_\_\_ phases of this rehabilitation project meets the Secretary of the Interior's Standards for Rehabilitation. Phase completion date \_\_\_\_\_  
Estimated rehabilitation costs of phase (QRE) \_\_\_\_\_

Summarize information here; continue on following page if necessary.

3. **Project Contact** (if different from applicant)

Name \_\_\_\_\_ Company \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

4. **Applicant**

I hereby attest that the information I have provided is, to the best of my knowledge, correct. I further attest that [check one or both boxes, as applicable] (1) ☐ I am the owner of the above-described property within the meaning of "owner" set forth in 36 CFR § 67.2 (2011), and/or (2) ☐ if I am not the fee simple owner of the above-described property, the fee simple owner is aware of the action I am taking relative to this application and has no objection, as noted in a written statement from the owner, a copy of which (i) either is attached to this application form and incorporated herein, or has been previously submitted, and (ii) meets the requirements of 36 CFR § 67.3(a)(1) (2011). For purposes of this attestation, the singular shall include the plural wherever appropriate. I understand that knowing and willful falsification of factual representations in this application may subject me to fines and imprisonment under 18 U.S.C. § 1001, which, under certain circumstances, provides for imprisonment of up to 8 years.

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Applicant Entity \_\_\_\_\_ SSN \_\_\_\_\_ or TIN \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Zip \_\_\_\_\_ Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

☐ Applicant, SSN, or TIN has changed since previously submitted application.

**NPS Official Use Only**

The National Park Service has reviewed this amendment to the Historic Preservation Certification Application and has determined that the amendment:

- ☐ meets the Secretary of the Interior's Standards for Rehabilitation.  
☐ will meet the Secretary of the Interior's Standard for Rehabilitation if the attached conditions are met.  
☐ does not meet the Secretary of the Interior's Standards for Rehabilitation.  
☐ updates the information on file and does not affect the certification.

**Advisory Determinations:**

- ☐ The National Park Service has determined that the work completed in this phase is consistent with the Secretary of the Interior's Standards for Rehabilitation. This determination is advisory only. A formal certification of rehabilitation can be issued only after all rehabilitation work and any associated site work or new construction have been completed. This approval could be superseded if it is found that the overall rehabilitation does not meet the Secretary's Standards. A copy of this form will be provided to the Internal Revenue Service.

Date \_\_\_\_\_ National Park Service Authorized Signature \_\_\_\_\_

☐ NPS conditions or comments attached

**HISTORIC PRESERVATION CERTIFICATION APPLICATION  
AMENDMENT / ADVISORY DETERMINATION**

Property name \_\_\_\_\_ NPS Project Number \_\_\_\_\_

Property address \_\_\_\_\_

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## Ugarte, Jessica (DHR)

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**From:** Tune, Elizabeth (DHR)  
**Sent:** Monday, December 21, 2015 9:02 AM  
**To:** Tune, Elizabeth (DHR)  
**Subject:** Virginia Rehabilitation Tax Credit Program Updates  
**Attachments:** Agreed Upon Procedures.docx; ILLUSTRATIVE AUDIT REPORT.docx; Schedule of Construction Costs.xlsx; Schedule of Eligible Rehabilitation Expenses.xlsx; Certification Requirements.docx; Part 1 - Evaluation of Significance.docx; Part 2-Description of Rehabilitation.doc; Part 3 - Request for Certification of Completed Work.doc

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Dear Colleagues ~

I hope that you are having a peaceful and productive December! As we head toward the end of the year, I would like to share a couple of important program notes.

### Insurance Premiums License Tax Return

If you or your clients have projects for which Part 3 certification is sought for the Insurance Premiums License Tax Return date of March 1st, please submit the complete Part 3 application as soon as possible and by January 15, 2016. In the submission, please also note that you are seeking certification for the March 1st deadline, so that we can carefully track the project through the review process.

### Final Regulations

After a lengthy development, the proposed revisions to the regulations for the Historic Rehabilitation Tax Credit will be published in the Virginia Register on January 11, 2016 and will become final on February 10, 2016. The text of the final regulations can be found on the Virginia Town Hall website: <http://townhall.virginia.gov/L/ViewXML.cfm?textid=9933>

The changes to the regulations are intended to enhance the ease of use for applicants, more clearly set out the application requirements and standards of review for both applicants and DHR staff, and establish stricter reporting requirements to prevent abuse of the program. The revised fee schedule includes more refined cost categories, so that the fees are closely calibrated to the rehabilitation expenses and represent a more consistent percentage of project expenses.

Importantly, the final regulations require that all projects have an independent CPA review the expenses incurred by the specific project. For those projects with rehabilitation expenses below \$500,000, an Agreed-Upon Procedures Report will be required following the attached example; for projects with rehabilitation expenses of \$500,000 or greater, an Audit Report will be required, also following the attached example. In both cases, the schedules of rehabilitation expenses and associated notes will be necessary.

In addition to these changes, we have revised the application forms to better reflect the project details and to include the new attestation requirements.

When the regulations become final on February 10, 2016 all submissions to the Department of Historic Resources must be consistent with the new requirements.

We appreciate your participation in the program and support as we implement these changes. Should you have any questions, please do not hesitate to contact me.

Thanks,  
Elizabeth

Elizabeth Tune  
Director, Division of Preservation Incentives  
Department of Historic Resources  
2801 Kensington Avenue  
Richmond, Virginia 23221 (804) 482-6093  
[Elizabeth.Tune@dhr.virginia.gov](mailto:Elizabeth.Tune@dhr.virginia.gov)

COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF HISTORIC RESOURCES

**PART 1 - EVALUATION OF SIGNIFICANCE**  
**STATE HISTORIC REHABILITATION TAX CREDIT PROGRAM**  
**HISTORIC PRESERVATION CERTIFICATION APPLICATION**

DHR Project No: \_\_\_\_\_

Instructions: Read the instructions carefully before completing application. No certification will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use the Continuation/Amendment Form found at the end of the Part 2, "Description of Rehabilitation," application. *Please note that for properties listed individually in the Virginia Landmarks Register, Evaluation of Significance is required if the property has one or more outbuildings or secondary resources.*

1. **Name of property:** \_\_\_\_\_

Address of property: Street: \_\_\_\_\_

City: \_\_\_\_\_ County: \_\_\_\_\_ State: VA Zip: \_\_\_\_\_

DHR identification number: \_\_\_\_\_ Historic District: \_\_\_\_\_

2. **Check nature of request (check only one box):**

- ☐ Certification that the building contributes to the significance of the above-named historic district for the purpose of rehabilitation.
- ☐ Certification that the building does not contribute to the significance of the above-named district.
- ☐ Certification that the building is individually listed in the Virginia Landmarks Register.
- ☐ Certification that the building is eligible for individual listing in the Virginia Landmarks Register.
- ☐ Certification that an outbuilding or secondary resource contributes to the above-named property that is individually listed on the Virginia Landmarks Register.
- ☐ Preliminary determination that a building located in a potential historic district contributes to the significance of the district.
- ☐ Preliminary determination for individual listing in the Virginia Landmarks Register.
- ☐ Preliminary determination that a building outside the period or area of significance contributes to the significance of the district.

3. **Project contact:**

Name: \_\_\_\_\_

Street: \_\_\_\_\_ City: \_\_\_\_\_

State: \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Telephone Number: \_\_\_\_\_

E-mail address: \_\_\_\_\_

4. **Owner**

I declare under penalty of law that the information provided is, to the best of my knowledge, correct, and that I own the property described above. I understand that submission of false records or falsification of anything in communications with the department is grounds for denial of the certification of completed work and is punishable under Virginia and federal law.

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Organization: \_\_\_\_\_

Social Security or Taxpayer Identification Number: \_\_\_\_\_

Street: \_\_\_\_\_ City: \_\_\_\_\_

State: \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Telephone Number: \_\_\_\_\_

E-mail address: \_\_\_\_\_

**HISTORIC PRESERVATION CERTIFICATION APPLICATION  
PART 1 - EVALUATION OF SIGNIFICANCE**

\_\_\_\_\_  
Property Name

\_\_\_\_\_  
Property Address

\_\_\_\_\_

**5. Description of physical appearance:**

Date of construction: \_\_\_\_\_ Source of date: \_\_\_\_\_

Date(s) of alteration(s): \_\_\_\_\_

Has building been moved? ☐ yes ☐ no If so, when? \_\_\_\_\_

**6. Does the property have outbuildings (e.g. garage, shed, barn) or other secondary resources? ☐ yes ☐ no**

Type of Outbuilding	Approximate Date	Contributing Status	Brief Physical Description
---------------------	------------------	---------------------	----------------------------

- |    |       |       |       |
|----|-------|-------|-------|
| 1. | _____ | _____ | _____ |
| 2. | _____ | _____ | _____ |
| 3. | _____ | _____ | _____ |
| 4. | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ |

Please use a Continuation/Amendment form to list additional outbuildings.

**7. Statement of significance (include Period of Significance):**

---

Property Name

---

Property Address

---

- 8.      Photographs and maps:**    Attach photographs and maps to indicate the location of each building or structure to application.

*Please return completed form to:*

Division of Preservation Incentives  
Virginia Department of Historic Resources  
2801 Kensington Avenue  
Richmond, Virginia 23221

COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF HISTORIC RESOURCES

**PART 2 - DESCRIPTION OF REHABILITATION**  
**STATE HISTORIC REHABILITATION TAX CREDIT PROGRAM**  
**HISTORIC PRESERVATION CERTIFICATION APPLICATION**

DHR Project No.: \_\_\_\_\_

Instructions: Read the instructions carefully before completing application. No certification will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use the Continuation/Amendment Form found at the back of this application. A copy of this form may be provided to the Virginia Department of Taxation. The decision by the Virginia Department of Historic Resources with respect to certification is made on the basis of the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings and specifications), the application form shall take precedence.

**1. Name of property:** \_\_\_\_\_

Address of property: Street \_\_\_\_\_  
City \_\_\_\_\_ County \_\_\_\_\_ State VA Zip \_\_\_\_\_

- ☐ Listed individually in the Virginia Landmarks Register: date of listing: \_\_\_\_\_  
☐ Located in a registered Historic District: specify: \_\_\_\_\_

- ☐ Has a Part 1 Application (Evaluation of Significance) been submitted for this project? ☐ yes ☐ no  
If yes, date Part 1 submitted: \_\_\_\_\_ Date of certification: \_\_\_\_\_

NPS Project Number (if application for federal tax credits submitted): \_\_\_\_\_

**2. Data on building and rehabilitation project:**

Date building constructed: \_\_\_\_\_ Total number of housing units before rehabilitation: \_\_\_\_\_  
Type of construction: \_\_\_\_\_ Number that are low-moderate income: \_\_\_\_\_  
Use(s) before rehabilitation: \_\_\_\_\_ Total number of housing units after rehabilitation: \_\_\_\_\_  
Proposed use(s) after rehabilitation: \_\_\_\_\_ Number that are low-moderate income: \_\_\_\_\_  
Estimated cost of rehabilitation: \_\_\_\_\_ Floor area before rehabilitation: \_\_\_\_\_  
Floor area after rehabilitation: \_\_\_\_\_  
Is this a phased project? ☐ yes ☐ no Number of Phases (include a phasing plan): \_\_\_\_\_  
Project/phase start date (est.): \_\_\_\_\_ Completion date (est.): \_\_\_\_\_  
Is the building protected by an easement? ☐ yes ☐ no If yes, list the easement holder? \_\_\_\_\_

**3. Project contact:**

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Telephone Number \_\_\_\_\_  
Email Address \_\_\_\_\_

**4.**

**Owner:**

I declare under penalty of law that the information provided is, to the best of my knowledge, correct, and that I own the property described above. I understand that submission of false records or falsification of anything in communications with the department is grounds for denial of the certification of completed work and is punishable under Virginia and federal law.

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_  
Organization \_\_\_\_\_  
Social Security or Taxpayer Identification Number \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Telephone Number \_\_\_\_\_  
Email Address \_\_\_\_\_



**HIISTORIC PRESERVATION  
CERTIFICATION APPLICATION  
PART 2**

Property Name \_\_\_\_\_

Property Address \_\_\_\_\_

DHR Project Number: \_\_\_\_\_

**5. DETAILED DESCRIPTION OF REHABILITATION/PRESERVATION WORK – Fully describe all work at the property, including site work, new construction, alterations, etc. Complete below.**

<p><b>Number 1.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 2.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 3.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 4.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>

**HISTORIC PRESERVATION  
CERTIFICATION APPLICATION  
PART 2**

Property Name \_\_\_\_\_

Property Address \_\_\_\_\_

DHR Project Number: \_\_\_\_\_

<p><b>Number 5.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 6.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 7.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 8.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>

**HISTORIC PRESERVATION  
CERTIFICATION APPLICATION  
PART 2**

Property Name \_\_\_\_\_

Property Address \_\_\_\_\_

DHR Project Number: \_\_\_\_\_

<p><b>Number 9.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 10.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 11.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 12.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>

**HISTORIC PRESERVATION  
CERTIFICATION APPLICATION  
PART 2**

Property Name \_\_\_\_\_

Property Address \_\_\_\_\_

DHR Project Number: \_\_\_\_\_

<p><b>Number 13.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 14.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 15.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 16.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>

**HISTORIC PRESERVATION  
CERTIFICATION APPLICATION  
PART 2**

Property Name \_\_\_\_\_

Property Address \_\_\_\_\_

DHR Project Number: \_\_\_\_\_

<p><b>Number 17.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 18.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 19.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>
<p><b>Number 20.</b> Architectural feature _____ Approximate date of feature _____ Describe existing feature and its condition: _____</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature:</p>

CONTINUATION/AMENDMENT SHEET

Historic Preservation  
Certification Application

Property Name: \_\_\_\_\_

Property Address \_\_\_\_\_

DHR Project Number: \_\_\_\_\_

**Instructions.** Read the instructions carefully before completing. Type, or print clearly in black ink. Use this sheet to continue sections of the Part 1 and Part 2 application, or to amend an application already submitted. Photocopy additional sheets as needed.

This sheet:    ☐ continues Part 1        ☐ continues Part 2        ☐ amends Part 2        ☐ amends Part 3        \_\_\_\_\_

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Street \_\_\_\_\_ City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Telephone Number \_\_\_\_\_

☐ See Attachments

COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF HISTORIC RESOURCES

STATE HISTORIC REHABILITATION TAX CREDIT PROGRAM  
HISTORIC PRESERVATION CERTIFICATION APPLICATION

BILLING STATEMENT

To cover costs associated with the processing of Part 2 and Part 3 of the State Tax Credit Application, fees are charged in accordance with the fee schedule included below. These fees cover the cost of processing the state application only, and will not be applied to the cost of processing the federal government's National Park Service Historic Preservation Certification Application.

*Please note that review of the application will begin only when valid payment for processing fees is received.*

Name of property: \_\_\_\_\_

Address of property: Street \_\_\_\_\_  
City \_\_\_\_\_ County \_\_\_\_\_ State VA Zip \_\_\_\_\_

Estimated cost of rehabilitation: \_\_\_\_\_

Project contact: Name \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Telephone Number \_\_\_\_\_

Owner: Name \_\_\_\_\_  
Organization \_\_\_\_\_  
Social Security or Taxpayer Identification Number \_\_\_\_\_  
Street \_\_\_\_\_ City \_\_\_\_\_  
State \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Telephone Number \_\_\_\_\_

**Part 2 Review Fees:**

*Choose the processing fee that corresponds to the estimated cost of rehabilitation. Upon completion of the project, fees charged will be adjusted as necessary, depending upon the actual cost of rehabilitation.*

<u>ESTIMATED COST</u>	<u>PART 2 REVIEW FEE</u>
Less than \$100,000.....	\$250
\$100,000 to \$249,999.....	\$500
\$250,000 to \$499,999.....	\$1,000
\$500,000 to \$999,999.....	\$2,000
\$1,000,000 to \$1,999,999.....	\$4,000
\$2,000,000 to \$3,499,999.....	\$5,000
\$3,500,000 to \$4,999,999.....	\$7,000
\$5,000,000 and above.....	\$8,000

**Part 3 Review Fees:**

*If the actual costs exceed the estimated costs upon which a Part 2 fee was previously paid, please adjust accordingly. If the actual costs are less than the estimated costs upon which a Part 2 fee was previously paid, please indicate so that we may issue a refund.*

<u>ACTUAL COST</u>	<u>PART 3 REVIEW FEE</u>
Less than \$100,000.....	\$250
\$100,000 to \$249,999.....	\$500
\$250,000 to \$499,999.....	\$1,000
\$500,000 to \$999,999.....	\$2,000
\$1,000,000 to \$1,999,999.....	\$4,000
\$2,000,000 to \$3,499,999.....	\$5,000
\$3,500,000 to \$4,999,999.....	\$7,000
\$5,000,000 and above.....	\$8,000

**Expedited Review Fees:**

*Upon request, if the current workload at the department permits, the department may review complete, fully documented applications within five business days. The director reserves the right to refuse requests for expedited review if the current workload at the department so warrants.*

<u>ACTUAL COST</u>	<u>EXPEDITED REVIEW FEE</u>
Less than \$100,000.....	\$500
\$100,000 to \$249,999.....	\$1,000
\$250,000 to \$499,999.....	\$2,000
\$500,000 to \$999,999.....	\$4,000
\$1,000,000 to \$1,999,999.....	\$8,000
\$2,000,000 to \$3,499,999.....	\$10,000
\$3,500,000 to \$4,999,999.....	\$14,000
\$5,000,000 and above.....	\$16,000

**Send your fee payment with this form to:**

Tax Credit Division  
Virginia Department of Historic Resources  
2801 Kensington Avenue  
Richmond, Virginia 23221

**Note:**

Please indicate whether you are sending Part 2 or Part 3 review fee. Checks should be made out to Virginia Department of Historic Resources.

- Review fees may be claimed as an eligible expense.

COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF HISTORIC RESOURCES

**PART 3 - REQUEST FOR CERTIFICATION OF COMPLETED WORK**  
**STATE HISTORIC REHABILITATION TAX CREDIT PROGRAM**  
**HISTORIC PRESERVATION CERTIFICATION APPLICATION**

DHR Project No. \_\_\_\_\_

**Instructions:** Upon completion of the rehabilitation, submit this form with photographs of the completed work (both exterior and interior views), together with the appropriate review fee. If a Part 2 application has not been previously submitted, it must accompany this Request for Certification of Completed Work. Type or print clearly in black ink. The decision by the Virginia Department of Historic Resources with respect to certification is made on the basis of the descriptions in this application form. In the event of any discrepancy between the application form and other, supplementary material submitted with it (such as architectural plans, drawings, and specifications), the application form shall take precedence. *Please note that all components of the Part 3 application must be submitted to the Virginia Department of Historic Resources within one year of the project completion date.*

**Data on property:**

Name of property: \_\_\_\_\_

Address of property Street: \_\_\_\_\_

City: \_\_\_\_\_ State: Virginia Zip: \_\_\_\_\_

Is this property a certified historic structure? ☐ Yes ☐ No

☐ Individually listed on the Virginia Landmarks Register

☐ Certified as contributing structure in listed historic district (attach VDHR letter of certification)

☐ Certified as eligible for individual listing on the Virginia Landmarks Register (attach VDHR letter of certification)

**Data on rehabilitation project:**

Project starting date: \_\_\_\_\_

This application covers number \_\_\_\_\_ of \_\_\_\_\_ phases.

Date of final Certificate of Occupancy (or, if no Certificate of Occupancy was issued, date rehabilitation work was completed):

\_\_\_\_\_

Costs attributed solely to the rehabilitation of the historic structure:

\$\_\_\_\_\_ (attach CPA report)

Costs attributed to new construction associated with the rehabilitation, including additions, site work, parking lots, landscaping:

\$\_\_\_\_\_

Assessed value of the building in the year prior to the start of the rehabilitation project:

\$\_\_\_\_\_

As defined under §58.1-339.2, the building: ☐ is owner-occupied ☐ is not owner-occupied

Following rehabilitation, the building will be used for:

☐ Owner-occupied single-family residence

☐ Rental housing

☐ Market rate

Number of units: \_\_\_\_\_

☐ Low/moderate income

Number of units: \_\_\_\_\_

☐ Assisted living

Number of units: \_\_\_\_\_

☐ Office/commercial space

☐ Retail space

☐ Industrial space

☐ Hotel/Bed and Breakfast/Inn

☐ Other: \_\_\_\_\_



**Data on ownership and Request for Certification:**

I hereby apply for certification of rehabilitation work at the property described above for purposes of the State tax incentives. I declare under penalty of law that the information provided is, to the best of my knowledge, correct, and that in my opinion the completed rehabilitation meets the Secretary's "Standards for Rehabilitation," is consistent with the work described in Part 2 of the Historic Preservation Certification Application, as approved by the Virginia Department of Historic Resources, and that the reported rehabilitation costs are valid and eligible for the tax credit. I understand that submission of false records or falsification of anything in communications with the department is grounds for denial of the certification of completed work and is punishable under Virginia and federal law.

Name: \_\_\_\_\_

(If there is more than one owner, Disclosure of Ownership Form must be attached. This does not apply to pass-through entities.)

Organization: \_\_\_\_\_

Street: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Social Security or Taxpayer Identification Number: \_\_\_\_\_

I attest that I have, or am the authorized representative of an entity that has, a possessory interest in the property:

- ☐ I am the owner or an authorized representative of the owner. (Attach list of additional owners if necessary)
- ☐ I am a lessee or an authorized representative of a lessee which actually incurred the rehabilitation expenditures.
- ☐ The credit is being claimed under a landlord-tenant pass-through arrangement. I am a lessee or an authorized representative of a lessee under a lease term of 5 years or longer.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

***Please return completed form to:***

Division of Preservation Incentives  
Virginia Department of Historic Resources  
2801 Kensington Avenue  
Richmond, Virginia 23221

- ☐ Attachments:
  - ☐ Photographs of completed work
  - ☐ Photo point map
  - ☐ CPA report
  - ☐ Letter of certification of historic significance
  - ☐ Other:

Report of Independent Accountant on Applying the  
Virginia Rehabilitation Tax Credit Agreed-Upon Procedures

[Name of property owner/organization] and the Virginia Department of Historic Resources

We have performed the procedures enumerated below, which were agreed to by [name of property owner/organization] (“the Company”) and the Virginia Department of Historic Resources (collectively, the “Specified Users”) solely to assist you in evaluating the Schedule of Eligible Rehabilitation Expenses, which is required to be submitted to the Virginia Department of Historic Resources, in conjunction with a Part 3 application, “Request for Certification of Completed Work.”

The management of the Company is responsible for the accuracy of the Schedule of Rehabilitation Expenses. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Specified Users. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Using information provided to us by the management of the Company, we have performed the procedures and noted the findings below.

We were not engaged to, and did not, conduct an audit of the Schedule of Rehabilitation Expenses, the object of which would be the expression of an opinion on this schedule. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Specified Users and is not intended to be and should not be used by anyone other than the Specified Users.

Signature:

City  
Date

***Procedure 1: Completed Schedule and Statements***

We compared the required application attachments to the prescribed format, and determined that they contain the signatures prescribed.

Documentation of Completion Date	Exhibit A
Schedule of Eligible Rehabilitation Expenses	Exhibit B
Schedule of Construction Costs	Exhibit C

**Findings:**

***Procedure 2: Property Information***

We compared the name and address of the property listed on the Part 3 application, Request for Certification of Completed Work, to the name and address of the property listed on the Part 2 application, Description of Rehabilitation.

**Findings:**

***Procedure 3: Completion Date***

- A. We compared the date of the Certificate of Occupancy listed on the Part 3 application to the date of the Final Certificate of Occupancy, Temporary Certificate of Occupancy, Final Building Inspection, or other documentation supporting the date the final rehabilitation expense was incurred (in the case that no Certificate of Occupancy was required), which is attached to this report as Exhibit A.

**Findings:**

- B. We compared the physical address on the Final Certificate of Occupancy, Temporary Certificate of Occupancy, Final Building Inspection, or other documentation supporting the date the final rehabilitation expense was incurred to the physical address listed on the Part 3 application.

**Findings:**

***Procedure 4: Ownership Information***

- A. We compared the owner name and organization listed on the Part 3 application to the owner name and organization listed on the Part 2 application or subsequent Amendment.

**Findings:**

- B. We compared the owner name listed on the Part 3 application with the name of the entity entitled to receive the tax credits, according to the terms of the Operating Agreement or Partnership Agreement, if applicable.

**Findings:**

- C. We compared the Taxpayer Identification Number (TIN) listed on the Part 3 application with the TIN issued by the Social Security Administration or Internal Revenue Service for the owner and organization.

**Findings:**

***Procedure 5: Eligible Rehabilitation Expenses***

- A. We compared the Schedule of Eligible Rehabilitation Expenses, attached as Exhibit B, and the Schedule of Construction Costs, which expenses are included in the Schedule of Eligible Rehabilitation Expenses and which is attached as Exhibit C, to those cost categories qualifying for the Virginia Rehabilitation Tax Credit, according to 17 VAC 10-30-110. In the case of cost categories listed on the schedules that include more than one type of work, e.g. “hardware and fixtures,” we obtained a breakdown of the work included in such category and compared the cost categories to eligible rehabilitation expenses specified by 17 VAC 1-30-110. (The CPA will note any items that he or she is uncertain are eligible rehabilitation expenses, with the corresponding dollar amount, in this report.)

**Findings:**

- B. We reviewed the invoices or equivalent billing documents for all items in the Schedule of Construction Costs and Schedule of Eligible Rehabilitation Expenses to determine, based on the description of the work done, whether the relevant costs would be charged to an asset account according to generally accepted accounting principles. We determined whether all charges in the Schedules are reflected in the bank statements, cancelled checks, or general ledger for the project as having been paid within 60 days of the date of the Certificate of Occupancy listed on the Part 3 application.

**Findings:**

***Procedure 6: Minimum Investment***

*(for single-phase project or final phase of a multi-phase project)* We calculated the ratio of the eligible rehabilitation expenses shown on the Schedule of Rehabilitation Expenses to the assessed value of the building for local real estate tax purposes, not including land, in the year prior to the beginning of the rehabilitation project to determine whether the eligible rehabilitation expenses are at least [25 or 50]% of the assessed value of the building, according to the requirements of 17 VAC 10-30-100.

**Findings:**

January 2015

# **ILLUSTRATIVE AUDIT REPORT**

## **Independent Auditor's Report**

The Members  
Historic Rehabilitation Development, LLC  
Richmond, Virginia

We have audited the accompanying schedule of eligible rehabilitation expenses incurred for the structure at XXX Main Street, Richmond, Virginia, during the period from July 1, 2012 through August 31, 2013, and the related notes to the schedule.

### **Management's Responsibility for the Schedule**

Management is responsible for the preparation and fair presentation of this schedule in accordance with the provisions of Chapter 30 of Agency 10, Title 17, of the Virginia Administrative Code. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a schedule that is free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the schedule.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the schedule referred to above presents fairly, in all material respects, the eligible rehabilitation expenses incurred for the structure at XXX Main Street, Richmond, Virginia during the period from July 1, 2012 through August 31, 2013, in accordance with the provisions of Chapter 30 of Agency 10, Title 17 of the Virginia Administrative Code.

### **Basis of Accounting**

We draw attention to Note A to the schedule, which describes the basis of accounting. As described in that note, the schedule was prepared on the basis of provisions of Chapter 30 of Agency 10, Title 17 of

January 2015

the Virginia Administrative Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. That basis was used to comply with the requirements of the Virginia Historic Rehabilitation Tax Credit Program of the Department of Historic Resources for granting credits against Virginia income taxes for the material rehabilitation of a certified historic structure. Our opinion is not modified with respect to this matter.

#### Restriction on Use

Our report is intended solely for the information and use of Historic Rehabilitation Development, LLC and the Virginia Historic Rehabilitation Tax Credit Program of the Department of Historic Resources and is not intended to be and should not be used by anyone other than these specified parties.

#### **ABC, CPAs**

Richmond, Virginia  
September 30, 2013

## **ILLUSTRATIVE NOTE DESCRIBING THE BASIS OF ACCOUNTING**

### **Note A – Basis of Accounting**

The accompanying schedule of eligible rehabilitation expenses incurred for the structure at XXX Main Street, Richmond, Virginia was prepared as part of the application by Historic Rehabilitation Development, LLC for the Virginia Historic Rehabilitation Tax Credit Program of the Department of Historic Resources to grant credits against Virginia income taxes for the material rehabilitation of a certified historic structure. Those credits are granted for expenses that meet the qualifications prescribed by Chapter 30 of Agency 10, Title 17 of the Virginia Administrative Code. Eligible rehabilitation expenses would be capitalized as a cost of the structure under accounting principles generally accepted in the United States of America. However, those accounting principles may require other expenditures to also be capitalized.

APPLICANT NAME  
Historic Rehabilitation Tax Credit

Schedule of Construction Costs

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The following qualified rehabilitation expenses were incurred at the real property located at [ADDRESS]  
in [CITY] , Virginia during the period of [PROJECT START DATE] through [PROJECT COMPLETION DATE]

Expense	Total Construction Costs Incurred	Non-eligible State Tax Credit Basis	Eligible State Historic Tax Credit Basis
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Concrete			
Structural			
Masonry			
Metals			
Rough Carpentry			
Finish Carpentry			
Insulation			
Roofing			
Doors			
Windows			
Drywall/Plaster			
Flooring			
Tile			
Painting			
Plumbing			
HVAC			
Electrical			
Elevators			
Specialties			
Cabinets			
Appliances			
Excavation			
Site Utilities			
Site Work/Landscaping			
General Requirements			
Contractor's Overhead			
Contractor's Profit			
Other:			

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Total Construction Costs

Less Costs Related to Addition

Total Qualified Rehabilitation Expenses

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APPLICANT NAME  
Historic Rehabilitation Tax Credit

Schedule of Qualified Rehabilitation Expenses

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The following qualified rehabilitation expenses were incurred at the real property located at [ADDRESS] in [CITY] , Virginia during the period of [PROJECT START DATE] through [PROJECT COMPLETION DATE]

Expense	Total Costs Incurred	Non-eligible State Tax Credit Basis	Eligible State Historic Tax Credit Basis
Construction Contract Costs (See attached Schedule)			
Architectural Fees			
Engineering Fees			
Civil Engineering Fees			
Environmental Testing			
Historic Consultant Fee			
Insurance During Construction			
Real Estate Taxes During Construction			
Legal - Construction Loan			
Legal - Syndication			
Legal - Permanent Loan Closing			
Financing Fee for Construction Loan			
Interest on Construction Loan During Construction			
Historic Certification Application Fee			
CPA Certification Fee			
Building Permit Fees			
Utility Connection Fees			
Other Fees:			
Total Project Development Costs			

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Developer Fee ([insert] % of Qualified Rehabilitation Expenses, not including Developer Fee)\*

Total Qualified Rehabilitation Expenses

State Tax Credit	<hr/>	25%
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Total State Historic Rehabilitation Tax Credits	<hr/>	\$
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\* Note terms for repayment of Developer Fee if portion of fee is not paid; include copy of Developer Agreement

Note any fees or payments due to Related Parties, as defined by Financial Accounting Standards Board

I declare under penalty of law that the information provided is, to the best of my knowledge, correct, and that the reported rehabilitation costs are valid and eligible for the tax credit.

I understand that falsification of factual representations is subject to criminal sanctions.

Applicant Signature

## **Historic Rehabilitation Tax Credit Program Certification Requirements**

The Virginia Department of Historic Resources (DHR) believes strongly that maintaining the integrity of the rehabilitation tax credit program is essential to the program's continued success and revitalization of individual properties and historic neighborhoods throughout the Commonwealth. This document provides guidance for property owners, CPAs, and other program users about their responsibilities and DHR's expectations for the way in which projects are conducted and the information that is submitted for review.

It is imperative that all information submitted to DHR throughout the application process is accurate, comprehensive, and reliable. The property owner bears and accepts responsibility, as evidenced by his or her signature, for the accuracy and sufficiency of the information submitted to DHR. So too, it is incumbent on a property owner to draft and execute all legal agreements necessary for completion of the rehabilitation project in a way that is consistent with applicable laws.

In order to certify a project, DHR requires the property owner's attestation that:

- The project has been conducted according to the approved Part 2 application, "Description of Rehabilitation," and that the work is consistent with the Secretary of the Interior's *Standards for Rehabilitation (Standards)*;
- Ownership of the property has been properly structured and is accurately represented; and
- All expenses have been properly incurred and are eligible for the tax credits according to 17 VAC 10-30-110 and relevant sections of the Internal Revenue Code and Treasury Regulations.

Photos submitted with the Part 3 application, "Request for Certification of Completed Work," should fully illustrate the completed project. DHR tax credit staff reviews the photos to determine compliance with the approved scope of work and *Standards*. It is the practice of DHR to conduct a physical inspection of the project to confirm that the completed work meets the *Standards*.

All costs presented as eligible rehabilitation expenses (EREs) must have been incurred by the property owner in connection with the specific project. Allocation or estimation of costs among properties and projects is not acceptable. Eligible expenses must be consistent with 17 VAC 10-30-110 and Treas. Reg. § 1.48-12(c).

### Projects with \$500,000 or more in rehabilitation expenses

Examination of the project costs by an independent CPA is required to establish the eligible rehabilitation expenses (EREs) upon which the tax credits are based. DHR requires that a CPA conduct an audit of rehabilitation expenses for projects with EREs of \$500,000 or more, to provide assurance that the expenses meet the requirements of the program and are eligible for the tax credit. The CPA's resulting audit report, which includes a supporting schedule of rehabilitation expenses, schedule of construction costs, and relevant disclosure notes, is submitted with the Part 3 application and is an important component in DHR's review of the completed project. Any unpaid or deferred expenses, and the terms for their repayment, as well as any related parties among owner, developer, and service providers will be disclosed in notes to the audit report. See "Illustrative Audit Report."

### Projects with less than \$500,000 in rehabilitation expenses

An Agreed-Upon Procedures (AUP) engagement will be conducted for projects with rehabilitation expenses less than \$500,000. The CPA's resulting AUP report, which includes a supporting schedule of rehabilitation expenses, schedule of construction costs, and relevant disclosure notes, is submitted with the Part 3 application and is an important component in DHR's review of the completed project. See "Illustrative Report of Independent Accountant on Applying the Virginia Rehabilitation Tax Credit Agreed-Upon Procedures."

Please contact Elizabeth Tune, Director, Division of Preservation Incentives with questions:

[Elizabeth.Tune@dhvr.virginia.gov](mailto:Elizabeth.Tune@dhvr.virginia.gov) or (804)482-6093.

# IMPORTANT!!!

As you begin the tax credit process, please determine whether your property falls within an existing historic district, has already been determined eligible for listing, or is already listed. If none of these is the case, then please refer to the information below regarding the basic required submission for evaluation. A review by the full DHR Evaluation Team is necessary for your tax credit project to proceed, so please make sure you take the time to provide all the necessary documentation needed for this review. This does **not** mean that a property is being nominated to the registers at this time. Rather, it is being evaluated to determine if it qualifies for such listings and is eligible for tax credits. Keep in mind that if your property is not in a listed district or individually listed, you cannot qualify for tax credits unless the property is found individually eligible for listing. Location within a district that is eligible but not actually listed is not sufficient. Applicants will be notified of the staff's and the State Review Board's recommendations.

To contact the Virginia Department of Historic Resources Archivist to determine if previous survey material for this property is on file, and if the resource has been previously evaluated by DHR you may call at (804) 367-2323, ext. 26440, or email at [Quatro.Hubbard@dhr.virginia.gov](mailto:Quatro.Hubbard@dhr.virginia.gov). The archivist will also give you the address of the regional office to which you should send your completed materials.

Should you need a Preliminary Information Form (PIF), you may download a copy from our web site at [http://www.dhr.virginia.gov/register/downloading\\_register\\_forms.htm](http://www.dhr.virginia.gov/register/downloading_register_forms.htm).

Before submitting this form, please make sure that you have included the following:

- Labeled USGS Quadrangle map
- Sketch site plan map of property
- 4 labeled B&W exterior photos
- 4 labeled B&W interior photos
- General surrounding photos (labeled)
- Completed Resource Information Sheet, including
  - Owner's signature
  - Applicant contact information
  - City or county official's contact information
- A note somewhere on the form that you are applying for tax credits.

Thank you for taking the time to submit this Preliminary Information Form in fulfillment of your tax credit proposal. Your interest in Virginia's historic resources is helping to provide better stewardship of our cultural past.

If you have further questions regarding the process of full registration you may contact:

Marc Wagner  
Register Program Manager  
804-482-6099  
[Marc.Wagner@dhr.virginia.gov](mailto:Marc.Wagner@dhr.virginia.gov)

Lena McDonald  
Register Program Historian  
804-482-6439  
[Lena.Mcdonald@dhr.virginia.gov](mailto:Lena.Mcdonald@dhr.virginia.gov)

# Rehabilitation Tax Credits

## A Comparison of the State and Federal Rehabilitation Tax Credit Programs

Revised 8/19/11

	FEDERAL	STATE
<b>Amount of credit</b>	<b>20%</b> of eligible expenses	<b>25%</b> of eligible expenses
<b>Eligible Property Types</b>	Income Producing (commercial or rental residential) (not owner-occupied residential)	Income Producing (commercial or rental residential) <b>or</b> Owner Occupied (Owner Occupied = Residential)
<b>Certified Historic Structure</b>	Individually Listed on NRHP <b>or</b> Contributes to a NRHP Historic District  (must actually be listed before credit can be claimed)	Individually listed on VLR <b>or</b> Contributes to a listed VLR Historic District <b>or</b> has been evaluated as <i>eligible</i> for individual listing on the VLR
<b>The Secretary of the Interior's Standards For Rehabilitation</b>	Rehabilitation work must be consistent with the Secretary of the Interior's <i>Standards for Rehabilitation</i> .	
<b>Cost Threshold</b>	Improvements must be more than 100% of the owner's adjusted basis in the building  (The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.) <b>or</b> \$5,000 – whichever is greater.	<i>For Owner-Occupied Residential Properties:</i> Expenses must be at least <b>25%</b> of the assessed value of the building for the year before the rehabilitation was begun.  <i>For Commercial &amp; All Other Buildings:</i> Expenses must be at least <b>50%</b> of the assessed value of the building for the year before the rehabilitation was begun.
<b>Eligible Rehabilitation Costs (Capital Expenses)</b>  A capital expense is something that will increase the value of the property.	Include construction costs and some soft costs – does not include the cost of new construction beyond the shell of the building, site work, or personal property.	Include construction costs and some soft costs – does not include new construction beyond the shell of the building, site work, or personal property.  Some historic manmade landscape elements may be eligible.
<b>Recapture of Credits</b>	If a rehabilitated property is sold, or loses its status as income producing within 5 years of completion of the rehabilitation, a portion of credits claimed will be subject to prorated recapture by the IRS.	There is no holding period for the state credit. The building may be sold any time after the rehabilitation without recapture of the credit.
<b>Claiming Credits</b>	Credit may be carried forward for up to <b>20</b> years, and back 1 year.	Credit may be carried forward for up to <b>10</b> years. There is no carry-back.
<b>Deadlines</b>	The Part 1 must be submitted <b>before</b> the work is completed.	Part 1, as well as Parts 2 and 3, must be submitted <b>within 1 year</b> of the completion date.

NRHP = National Register of Historic Places

VLR = Virginia Landmarks Register

## **THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION**

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated architectural features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature should match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing architectural features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archaeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

## **Sample Description of Rehabilitation Proposal**

### **For Certified Historic Rehabilitation Applications**

The Department of Historic Resources project review staff for compliance with The Secretary of the Interior's Standard evaluates all proposals for protection, stabilization, preservation, restoration, or rehabilitation of historic buildings.

In order to evaluate the project, we require documentation of the property's existing condition and a clear description of the proposed work. For most projects, the most effective presentation will include all of the following:

- 1.) Narrative description of the rehabilitation project;
- 2.) Photographic documentation of the property's existing condition; and
- 3.) Architectural drawings or sketches showing the existing condition of the building and the proposed alterations.

The following sample narrative description of a proposed rehabilitation is formatted for certified historic rehabilitations. The format can also be used to describe development projects to be reviewed for grant applications, and for state or federal environmental review projects.

This sample write-up describes the rehabilitation of a small urban residence. While the specifics of this hypothetical rehabilitation may not be directly applicable for all development projects, the format, language, and depth can guide most such descriptions. The left-hand blocks identify each element of the building and describe the existing condition of the elements. The corresponding right-hand blocks describe how the specific elements will be treated in the rehabilitation, and assess the impact of the project on the features. Please note that the descriptions make reference to photographs and drawings, which are necessary supplements to all such descriptions.

Updated December 2003

<div data-bbox="115 310 196 438"> <p>Number r</p> <p><b>1</b></p> </div> <p>Architectural Feature <u>Roof</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Low-pitched hipped roof with standing seam metal roofing in poor condition. Roof is pitted and rusting with many metal and tar patches. Roof substructure requires repair due to water infiltration. Roof cannot be seen from street because of its low pitch and because of the tall cornice and parapet.</p> <p>Photo no. <u>1, 17</u> Drawing no. <u>1</u></p>	<p>Describe work and impact on existing feature: Existing roofing will be removed. Roof structure and sheathing will be repaired as necessary, maintaining existing configuration. New standing-seam terne-plate metal roofing to be installed to match original configuration. New roof will not be visible from the street. Impact will be the preservation of the original roof configuration and protection of the building's structural integrity.</p>
<div data-bbox="115 873 196 1001"> <p>Number r</p> <p><b>2</b></p> </div> <p>Architectural Feature <u>Gutters and Downspouts</u> Approximate Date of Feature <u>1890; circa 1975</u></p> <p>Describe existing feature and its condition: Built-in metal-lined gutters along all four sides of hipped roof. Gutters are seriously deteriorated, with many metal and tar patches. Water is not effectively conveyed to downspouts because of tears in the gutter linings. Two metal scuppers on each side of the building are in fair condition. Two PVC downspouts, installed circa 1975, are on either side of the building; the rear downspout on the west side has separated from the scupper. No ground-level drainage is provided for any of the downspouts, and rainwater is dropped directly against the foundation.</p> <p>Photo no. <u>2-5</u> Drawing no.</p>	<p>Describe work and impact on existing feature: Gutters will be rebuilt in their historic configuration. Drainage will be improved by augmenting upper ends of each gutter, behind the cornice and parapets. Flashing on all sides will be renewed. Leaf guard will be added over scuppers. PVC downspouts will be replaced with new PVC downspouts in same location. Leaders will be installed at the foot of each downspout to carry rainwater away from the foundation. There will be no impact on significant historic materials or designs, and the historic building will be protected by proper drainage of rainwater.</p>
<div data-bbox="115 1579 196 1707"> <p>Number r</p> <p><b>3</b></p> </div> <p>Architectural Feature <u>Foundation</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Brick foundation in fair condition. Rising damp, fungus growth, and deteriorated</p>	<p>Describe work and impact on existing feature: Foundation will be maintained in its existing configuration. Brick will be cleaned with bleach, warm water and bristle brushes to remove fungus growth. Proper drainage will be provided by downspout repairs (see above), by selected regrading of earth around foundation, and by removal of excessive plant growth adjacent to foundation. Deteriorated mortar joints to be raked out by hand and repointed to match original. Repointing will be based on the guidelines of National Park Service <u>Preservation Brief no. 2, "Repointing Mortar Joints in Historic Brick</u></p>



<p>mortar joints in large areas around the downspouts. Foundation otherwise is in good condition, with no evidence of structural movement, settling, insect infiltration, or brick deterioration.</p> <p>Photo no. <u>3, 9-12</u> Drawing no. <u>2-5</u></p>	<p>Buildings" (see enclosed specifications.) New mortar joints will match the historic joints in color, texture, strength, and joint tooling. Impact will be the preservation and protection of the historic foundation.</p>
<div data-bbox="116 562 196 688"><div>Number</div><div>4</div></div> <p>Architectural Feature <u>Front Porch</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: One-story wooden porch in poor condition. Hipped roof with standing-seam metal roofing, extremely rusted and pitted, not shedding water. Turned wooden corner posts in fair condition, with limited splitting of wood. Sawn corner brackets in generally poor condition, either broken or missing; only two brackets appear salvageable. Original balustrade was removed circa 1965 and replaced with simple 2 X 4 balustrade. Porch floor is rotten and requires replacement. Structural joists beneath floor are also rotten and sagging. Porch stairs, rebuilt circa 1965, are in poor condition. Porch is supported by four masonry pillars which are in fair condition.</p> <p>Photo no. <u>4-5</u> Drawing no. <u>1, 2, 4</u></p>	<p>Describe work and impact on existing feature: Front porch to be rebuilt in its historic configuration, using all existing salvageable members, and replicating those features that are beyond salvage. Pressure-treated timber to be used for joists, rafters, and other framing members. All exposed wooden elements to be painted. New porch stairs and balustrade to be built, as per drawings. New standing-seam metal roof to be installed, replicating original configuration. Impact will be the restoration of the original porch configuration, preservation of the surviving well-crafted wooden elements, and strengthening of the deteriorated structural elements.</p>
<div data-bbox="116 1304 196 1430"><div>Number</div><div>5</div></div> <p>Architectural Feature <u>Rear Porch</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: One-story frame porch in seriously deteriorated condition. Shed roof with standing-seam metal roofing, extremely rusted and pitted, not shedding water. Turned wooden corner posts in poor condition, with limited splitting of wood. Original balustrade was removed circa 1965 and replaced with simple 2 X 4 balustrade. Porch floor is rotten and requires replacement. Structural joists beneath floor are also rotten and sagging. Porch stairs, rebuilt circa 1965, are in poor condition. Porch is supported by four masonry pillars which are in fair condition.</p>	<p>Describe work and impact on existing feature: Rear porch will be dismantled and rebuilt in its original configuration. The porch posts will be preserved and reused. All other elements are too far deteriorated, and will be replicated in new materials. Pressure-treated timbers to be used for joist and rafters; all other wooden elements will be painted. Impact will be the restoration of this original feature.</p>

Photo no. <u>6</u> Drawing no. <u>1, 2, 5</u>	
<div data-bbox="116 340 196 468">           Number 6         </div> <p>Architectural Feature <u>Cornice</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Sheet-metal bracketed cornice in fair condition. Paint peeling. Some rusting at anchors. Two brackets are missing. Anchoring system is heavily rusted.</p> <p>Photo no. <u>1, 3-5</u> Drawing no. <u>1</u></p>	<p>Describe work and impact on existing feature: Cornice to be rebuilt in its historic configuration. New brackets will be fabricated to match the historic elements. Anchoring system will be rebuilt to insure stability of cornice. Rust will be sanded to bright metal. All metal surfaces will be scraped, sanded, primed, and painted. Impact will be to preserve this important aspect of the building, maintaining all historic materials.</p>
<div data-bbox="116 833 196 961">           Number 7         </div> <p>Architectural Feature <u>Brick Walls</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Exterior brickwork, pressed brick with buttered joints on the facade and common brick with wider joints on other elevations, is in generally good condition. In several areas, especially around foundations and over the windows on the east and west side elevations, mortar joints are eroded and in need of repointing. One area of the west elevation is crumbling, due to a failed downspout at that point. Brickwork is unpainted.</p> <p>Photo no. <u>1-2, 7, 17</u> Drawing no. <u></u></p>	<p>Describe work and impact on existing feature: No substantial alterations to the brick walls are proposed. Deteriorated mortar joints will be raked out with hand tools to a depth of 2" and repointed with new mortar. New mortar will match the historic mortar in strength, color, and composition, and the joints will replicate the size and tooling of the original joints, in accord with the guidance of the Department of the Interior <u>Preservation Brief No. 2</u>. Failed area of wall on the east elevation will be dismantled, bricks will be cleaned, and the section will be rebuilt with the original bricks. Repairs to the roof and downspouts will prevent the problem from recurring. Impact will be the preservation of this critical feature, retention of all historic materials and workmanship.</p>
<div data-bbox="116 1453 196 1581">           Number 8         </div> <p>Architectural Feature <u>Windows</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Two-over-two double-hung wood sash windows in fair condition. Many have broken glass, broken or missing sash cords. No storm windows are in place. Several of the sash are badly fitting, and paint is peeling from the wood, but the wooden elements themselves are sound.</p>	<p>Describe work and impact on existing feature: No new windows are to be created. All existing windows to be retained and repaired in their historic configurations. Warped and poorly-fitting sash to be removed, reworked, and re-installed. Broken glass to be replaced. Sash cords to be replaced. Sash weights and pulleys to be adjusted. Wooden elements to be scraped, sanded, and repainted. Exterior storm windows to be applied. Storm windows will fit the window reveals without blocking, and will have a one-over-one configuration. Storm windows will have baked white enamel finish and clear glass.</p>

<p>Photo no. <u>1-2, 11-15</u> Drawing no. _____</p>	
<div data-bbox="115 380 196 506" data-label="Text"> <p>Number 9</p> </div> <p>Architectural Feature <u>Front Door</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Original front door in good condition, except for peeling paint. Original hinges and lockset in place and in good condition, except for several coats of paint. New deadbolt added circa 1975.</p> <p>Photo no. <u>22</u> Drawing no. _____</p>	<p>Describe work and impact on existing feature: Door to be repaired and retained in place. Hinges and lock to be cleaned, oiled, and retained in place. Later deadbolt to be removed and new deadbolt installed in its place. Wooden surfaces to be scraped and sanded of loose and peeling paint, then primed and re-painted. New weather-stripping to be added all around door.</p>
<div data-bbox="115 873 196 999" data-label="Text"> <p>Number 10</p> </div> <p>Architectural Feature <u>Rear Door</u> Approximate Date of Feature <u>circa 1950</u></p> <p>Describe existing feature and its condition: Solid-core paneled door added in original door opening circa 1950. Door's configuration and materials are not harmonious with the other wood-work in the building.</p> <p>Photo no. <u>23</u> Drawing no. <u>12</u></p>	<p>Describe work and impact on existing feature: Door to be removed. New two-panel painted wooden door, similar to other doors that survive in the house, will be installed.</p>
<div data-bbox="115 1367 196 1493" data-label="Text"> <p>Number 11</p> </div> <p>Architectural Feature <u>Shutters</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Louvered wooden shutters were originally in place only on the facade windows. Iron pintles and shutter dogs are still in place, and discolored areas on the brick walls show where the shutters were. Two severely deteriorated shutters remain in place, and these show the original configuration. These two shutters are not salvageable.</p> <p>Photo no. <u>6-10</u> Drawing no. <u>8</u></p>	<p>Describe work and impact on existing feature: New operable wooden shutters to be fabricated and installed on the facade windows. The existing deteriorated shutters will be used as patterns for the new shutters. Existing hardware will be cleaned and re-used, and new hardware replicated the historic hardware will be installed where the original pieces are missing. Impact will be the restoration of this important aspect of the facade's original appearance.</p>

<div>Number r <b>12</b></div> <p>Architectural Feature <u>Plan</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Original side-hall plan with twin parlors is generally intact. Alterations to the original plan include redefinition of the rear (kitchen) wing, circa 1950; construction of a new bathroom and closets between the two front bedrooms on the second floor, circa 1975; and redefinition of the second floor of the rear wing with new partitions, circa 1950 and circa 1975.</p> <p>Photo no. <u>18-35</u> Drawing no. <u>3-8</u></p>	<p>Describe work and impact on existing feature: The proposed reuse of the building for continued single-family residential use will not require significant alterations to the plan. The original stairhall and parlors will remain in their historic configuration. The front bedrooms on the second floor will remain in their existing configuration. Minor alterations to the rear wing, as shown on the drawings, will not affect any historic aspects of the plan.</p>
<div>Number r <b>13</b></div> <p>Architectural Feature <u>Interior Woodwork</u> Approximate Date of Feature <u>1890</u></p> <p>Describe existing feature and its condition: Most original woodwork, including the stair, the floors, mantelpieces, doors, baseboards, and door and window casings, is intact. Original woodwork in the rear wing was removed during the earlier renovations to the property. Mantelpieces and some of the baseboards in the front bedrooms on the second floor were removed during the 1975 alterations, but other woodwork in these spaces is intact. Most woodwork has several coats of paint, which is peeling and flaking. The floors are heavily stained. The newel posts and the baluster rails are varnished, and the varnish has blackened. While many elements have minor damage, including nail holes, gouges, and other cosmetic damage, the wood is in good condition and requires no major repair.</p> <p>Photo no. <u>18-35</u> Drawing no. <u>3-8</u></p>	<p>Describe work and impact on existing feature: All existing historic woodwork will be retained in its original location. All painted surfaces will be sanded down to viable surfaces, primed, and repainted. Proper measures will be taken to control all lead paint residue during this procedure. New baseboards and door and window casings will be installed in the rear wing. New molding will have profiles similar to, but simpler than, the historic woodwork. Floors will be scrubbed clean (not sanded), and waxed. Newel posts and balusters will be stripped and finished with tung oil. Impact will be the preservation of all surviving historic materials.</p>
<div>Number r <b>14</b></div> <p>Architectural Feature <u>Wall and Ceiling finishes</u></p>	<p>Describe work and impact on existing feature: Original plasterwork will be stabilized, patched, and painted. Most sheetrock will be removed to facilitate installation of new electrical and mechanical systems. Sheetrock surfaces will be replaced with new sheetrock to maintain the original wall and ceiling planes.</p>

<p>Approximate Date of Feature <u>1890; 1975</u></p> <p>Describe existing feature and its condition: The interior walls and ceilings were originally plastered. Original plaster wall and ceiling finishes survive in the stairhall in fair condition. Some old settlement cracks have never been properly repaired. One area of plasterwork beneath the first-floor stair is crumbling and will require replacement. The plasterwork in the parlors, bedrooms, and rear wing was removed in earlier renovations. Sheetrock was installed in these areas circa 1975. Sheetrock is in fair condition. In many areas it is not properly installed. Workmanship in the sheetrock is poor; surfaces are not plumb, joints are not well masked, and corners are poorly finished.</p> <p>Photo no. <u>18-35</u> Drawing no. _____</p>	<p>Impact will be the preservation of historic materials and preservation of historic room proportions.</p>
<div data-bbox="115 810 196 936"><div>Number</div><div>15</div></div> <p>Architectural Feature <u>Electrical System</u></p> <p>Approximate Date of Feature <u>Circa 1930, 1950, 1975</u></p> <p>Describe existing feature and its condition: Electrical system includes elements from three different periods. No original fixtures or elements survive. Existing system is clumsy and unsafe. It does not satisfy the requirements of current building codes.</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature: All aspects of existing system will be removed. New electrical system will be installed to comply with code requirements. All wiring will be suitably located within walls, to avoid visual impact. No removal or alteration of significant historic features will be required. Impact will be upgrading of the electrical system, allowing satisfactory contemporary use of the building, without imposing on its historic character.</p>
<div data-bbox="115 1272 196 1398"><div>Number</div><div>16</div></div> <p>Architectural Feature <u>Plumbing</u></p> <p>Approximate Date of Feature <u>1890; 1930s; 1975</u></p> <p>Describe existing feature and its condition: Existing plumbing system includes elements from three different periods. Original clawfoot tub and pedestal sink survive in second-floor rear bathroom. Toilet and kitchen sink from circa 1930 renovations are also in rear wing. 1975 alterations installed all new bathroom fixtures and lines in the front bathroom. Some fixtures are in fair condition; most plumbing lines are poorly installed, with substantial cuts in the floor joists and other supporting timbers.</p> <p>Photo no. <u>24-28</u> Drawing no. <u>3-7</u></p>	<p>Describe work and impact on existing feature: Front bathroom, second floor, will have all new fixtures and lines, as per drawings. Rear bathroom will be reconfigured as per drawing. The original pedestal sink and clawfoot tub will be retained and reused. All new kitchen fixtures and configuration will be used, as per drawings. All plumbing lines will be inspected and repaired or replaced as necessary. Structural reinforcements will be made to floor joists as necessary. Impact will be upgrading of the plumbing system, allowing satisfactory contemporary use of the building, without imposing on its historic character; and the preservation and reuse of two surviving historic fixtures.</p>

<div data-bbox="115 312 196 438"> <p>Number r <b>17</b></p> </div> <p>Architectural Feature <u>HVAC System</u> Approximate Date of Feature <u>1890; 1930s; 1975</u></p> <p>Describe existing feature and its condition: Fireplaces in front parlors have been blocked up. Gas-fired furnace installed circa 1930s in basement, with most ductwork beneath floor. Three cast-iron floor grates used with this furnace may be original to the house. Gas furnace is in poor condition. Two boxed-in ducts run to second floor, adjacent to chimney breasts. Space heaters supplement the furnace. Window air-conditioning units installed circa 1975.</p> <p>Photo no. <u>1, 14, 28-30</u> Drawing no. <u>4, 7-8</u></p>	<p>Describe work and impact on existing feature: Fireplaces will not be re-opened. Furnace and ductwork will be removed. New forced-air central heating and cooling system to be installed in basement, with ductwork running beneath floor and in new chases built adjacent to chimney breasts, as per plans. No lowered ceilings will be required. Exterior condenser unit to be located between rear porch and garage. Old floor grates to be retained and reused. Impact will be upgrading of HVAC system with minimal visual or physical impact on significant historic features.</p>
<div data-bbox="115 905 196 1031"> <p>Number r <b>18</b></p> </div> <p>Architectural Feature <u>Hardware</u> Approximate Date of Feature <u>1890; circa 1950</u></p> <p>Describe existing feature and its condition: Surviving original hardware includes door hinges and locksets; window sash pulls; etc. Hardware is steel and plated brass that has been painted several times.</p> <p>Photo no. <u>14, 22, 28</u> Drawing no. _____</p>	<p>Describe work and impact on existing feature: All hinges to be cleaned, oiled, and re-installed. Doors to be reworked as necessary to allow proper fit and function. All locksets to be disassembled, cleaned, oiled, and re-installed. All hardware to be repainted. Impact will be the preservation of these important features with no significant changes.</p>
<div data-bbox="115 1398 196 1524"> <p>Number r <b>19</b></p> </div> <p>Architectural Feature <u>Insulation</u> Approximate Date of Feature <u>1950s</u></p> <p>Describe existing feature and its condition: Aluminum foil insulation installed in attic space circa 1950. No other insulation in building.</p> <p>Photo no. _____ Drawing no. _____</p>	<p>Describe work and impact on existing feature: All foil-type insulation to be removed and attic spaces cleaned. After installation of mechanical and electrical systems, and after roof repairs, fiberglass-batt insulation with vapor barrier, R-25, to be installed in attic spaces.</p>
<div data-bbox="115 1856 196 1883"> <p>Number r</p> </div>	<p>Describe work and impact on existing feature: Fence to be cleaned of</p>

<div>20</div> <p>Architectural Feature <u>Site</u> Approximate Date of Feature <u>1890; 1930s</u></p> <p>Describe existing feature and its condition: Typical urban residential lot, distinguished by cast-iron fence with granite curbs on street elevation. Fence has areas of rust, but is otherwise in good condition. Driveway installed on side of lot circa 1930, when garage was built.</p> <p>Photo no. <u>1-4</u> Drawing no. <u>1</u></p>	<p>flaking paint and rust with wire brush, primed, and repainted. No other sitework will be undertaken.</p>
<div>21</div> <p>Architectural Feature <u>Garage</u> Approximate Date of Feature <u>1930</u></p> <p>Describe existing feature and its condition: Two-story detached brick garage in seriously deteriorated condition. Original composition shingle roofing has failed, allowing major water damage to roof structure and interior finishes. The brick is in need of major repointing on all elevations. Original garage doors are in place, but the wooden elements are decayed beyond the prospect of re-use. All doors and windows broken, missing, or deteriorated beyond salvage.</p> <p>Photo no. <u>6-10</u> Drawing no. <u>8</u></p>	<p>Describe work and impact on existing feature: Garage to be rebuilt for apartment use. Old roofing to be removed and replaced with new composition shingle roofing. Brick walls to be repointed as per enclosed specifications. New garage doors to be fabricated in wood, replicating the pattern of the original doors; these doors will not be operable, but will be fixed in place. New window sash and doors to be installed to match the deteriorated originals. Structural members to be repaired and new partitions to be built, as per enclosed drawings. Impact will be to preserve the service building, maintain its relationship to the major residence, while providing it with a new use that allows its continued life.</p>

## **What are the standards for photographic documentation for the application?**

The size and clarity of the photographic images must adequately document the before and after conditions of the building. 24 to 36 photographs are generally sufficient for the average project; however, it is better to have more photographs than to have too few. Photographs need to be color and may be either conventional 35mm or good quality digital. If photographs are judged to be insufficient, the reviewer may place your application on hold and request additional photographs, which could delay your project's progress.

## **What should I photograph?**

**Part 1** application photos should show general interior and exterior views prior to rehabilitation, including all four sides of the building and a street view showing the buildings around it.

- Site and surrounding environment. Streetscape photographs are recommended for urban buildings.
- All exterior elevations. Where elevations are partially blocked by adjacent buildings or trees, it may be necessary to take several photographs from different angles to show the whole elevation.
- Typical exterior features: siding, window sash, foundations, roofing, shutters.
- Major interior spaces: hallways, stairways, and principle rooms. Wide-angle photographs are recommended.
- Major interior features: staircases, mantelpieces, woodwork, etc.
- All outbuildings and secondary resources must be photographed – even if they are not historic and not part of the project.

**Part 2** photos should focus on specific areas and architectural features which will be addressed in the rehabilitation. These photos should illustrate the work descriptions on the Part 2 application.

- Exterior and interior areas where major rehabilitation work is proposed.
- Details of deteriorated interior and exterior features: peeling paint, rotten wood, cracked plaster, previously altered features.

**Part 3** photos should show the completed work.

- It is helpful if these correspond to the Part 2 photos.

Photographs must be labeled with the following information: building name and/or address, view (e.g., north side), and description (e.g., plaster damage in dining room, north wall).

Photographs must also be numbered and keyed to the Part 2 description of proposed work.

Please key the photos to a floorplan of the building, using arrows to show the direction of each view.





# **COMMONWEALTH of VIRGINIA**

## **Department of Historic Resources**

2801 Kensington Avenue, Richmond, Virginia 23221

### **REHABILITATION TAX CREDITS: FREQUENTLY ASKED QUESTIONS**

The preservation of historic buildings benefits communities. Historic places connect us to our heritage and enrich the quality of our lives in countless intangible ways, but their preservation also provides demonstrable economic benefits. Through the federal and state Rehabilitation Tax Credit programs, property owners are given substantial incentives for private investment in preservation, resulting in enormous advantages to the public. Since the federal program's inception in 1976, over 1,400 deteriorated historically significant buildings in Virginia have been returned to productive service, representing a private investment of over \$1 billion. The state program was initiated in 1997 and has already generated over \$181 million of economic activity independent of the federal program. This money represents costs paid into the construction industry: architects, contractors, craftsmen, and suppliers, with a corresponding increase in local employment. The capital improvement to the buildings results in dramatic increases in local property taxes, as well as a general enhancement in commercial activity. The rehabilitated buildings provide desperately needed housing (in many cases, low- and moderate-income housing), and office, retail, and other commercial space. The communities benefit from property improvement, blight removal, and increased occupancy of buildings in historic core neighborhoods.

This guide describes the state and the federal Rehabilitation Tax Credit programs. Both programs are administered in Virginia through the Virginia Department of Historic Resources.

The state tax credits are available for owner-occupied, as well as income-producing, buildings. If your property is income-producing you may also be able to take advantage of the federal tax credits. Please read through this guide carefully for an overview of the programs. Additional information and assistance with projects may be requested from the Richmond office or from the regional office in your area:

Richmond Office:  
(804) 367-2323  
2801 Kensington Avenue  
Richmond, VA 23221

Northern Region Office:  
(540) 868-7029  
5357 Main Street  
Stephens City, VA 22655

Western Region Office:  
(540) 387-5443  
962 Kime Lane  
Salem, VA 24153

### **What are the Rehabilitation Tax Credits?**

The Rehabilitation Tax Credits are dollar-for-dollar reductions in income tax liability for taxpayers who rehabilitate historic buildings. Credits are available from both the federal government and the State of Virginia.

The amount of the credit is based on total rehabilitation costs. The federal credit is 20% of eligible rehabilitation expenses. The state credit is 25% of eligible rehabilitation expenses. In some cases, taxpayers can qualify under both programs, allowing them to claim credits of 45% of their eligible rehabilitation expenses.

### **What buildings qualify for the tax credit program?**

The credits described above are available only for Certified Historic Structures, which are defined as follows:

Under the federal program, a certified historic structure is one that is either:

- Individually listed on the National Register of Historic Places, or
- Certified as contributing to a district that is so listed.

Under the state program, a certified historic structure is one that is:

- Individually listed on the Virginia Landmarks Register, or
- Certified as eligible for listing, or
- Certified as a contributing structure in a district that is so listed.

With a few exceptions, most Virginia properties that are listed on one of these registers are listed on both. Note, however, that National and Virginia Register historic districts may be different from locally designated historic districts. Certification that a building contributes to a listed district, or for purposes of the state credit, is eligible for individual listing, is obtained only by submitting Part 1 of the tax credit application.

### **What work qualifies for the credits?**

The rehabilitation work for the entire project must meet *The Secretary of the Interior's Standards for Rehabilitation*. If the project does not meet these standards, no part of the credit may be claimed. If the work is certified as meeting these standards, the credit is based on all eligible expenses.

Technically speaking, eligible expenses include any work that is properly chargeable to a building's capital account in connection with a certified rehabilitation. Essentially, this means that all work done to structural components of the building will be eligible, as well as certain soft costs such as architectural and engineering fees, construction period interest and taxes, construction management costs, and reasonable developer fees. Expenses related to new heating, plumbing and electrical systems are eligible, as well as expenses related to updating kitchens and bathrooms, compliance with ADA, and fire suppression systems and fire escapes. Acquisition costs, however, and any expenses attributable to additions or enlargements of the building, are not eligible. Under the federal program, site work and landscaping elements are not eligible expenses. Under the state program, certain site work may be eligible.

### **How much money do I have to spend?**

Under the federal program, the project must be a "substantial rehabilitation" to qualify the investor for the credit. The Internal Revenue Service defines "substantial" as exceeding the owner's adjusted basis in the building, or \$5000, whichever is greater. The

adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.

The threshold requirements for the state program are different from the federal requirements. In order to qualify for the state credit, the rehabilitation expenses must be:

- For owner-occupied structures, at least 25% of the assessed value of the buildings for local real estate tax purposes for the year before the rehabilitation work began.
- For all other eligible structures, at least 50% of the assessed value of the buildings for local real estate tax purposes for the year before the rehabilitation work began.

### **How long do I have to complete the rehabilitation?**

The rehabilitation does not have to be completed within any particular period of time. However, the “substantial rehabilitation” test (for the federal program) and the “material rehabilitation” test (for the state program) must be met within a consecutive 24-month period that ends some time during the year in which the credits are claimed. Essentially, this means that for most projects the greatest expenditures must be made within a 2-year period. For phased projects, the time limit is extended to 60 months.

### **My project has taken longer than I expected, and although I have spent more than my adjusted basis in the building, I have not spent it within a 24-month period. Can I decide to phase my project in order to take advantage of the 60-month measuring period?**

No. In order to use the 60-month measuring period for a phased project, the taxpayer must phase the project from the beginning. This means that a phasing plan, showing what work will be completed during each phase of the project, must be submitted before work begins. For some projects, it may be a good idea to submit a phasing plan at the start of the project, even if there is a possibility the project can be completed within two years. This will “hold open” the 60-month time period, but does not obligate the taxpayer to take that long to complete the project.

### **If my building is in a historic district that is not yet listed, can I start my rehabilitation anyway?**

Yes, but you do so at the risk that for some reason the district will not be listed. Generally speaking, it is a good idea to wait until the listing process is at least well underway and appears to be on track before doing any substantial work. You will not be eligible to claim the credit until the district is actually listed. If you complete your project before the district is listed, you will not be able to claim the credit at all unless the listing is completed within a year after your completion date.

### **When can I claim the credit?**

The credit is claimed in the year the rehabilitation is completed. If you cannot use up the full amount of the credit in the first year, it can be carried forward. The federal credit may be carried forward for up to twenty years, and back for one year. The state

credit may be carried forward for up to ten years. There is no carryback for the state credit.

### **Can I sell the building after I complete the rehabilitation?**

Under the federal program, if the building is disposed of, or if it loses its income-producing status, within five years after the rehabilitation is completed, the taxpayer will face recapture of the credit. The amount of recapture is reduced by 20% in each succeeding year after the year the rehabilitation is completed – in other words, if the building is sold after one year, there will be recapture of 80% of the credit, if it is sold after two years, there will be recapture of 60% of the credit, and so forth. In addition, the National Park Service reserves the right to inspect a rehabilitated property any time during the five-year period, and to revoke certification if work was not undertaken as presented in the application, or if further unapproved alterations have been made.

Under the state program there is no continuing ownership requirement following completion of the rehabilitation.

### **Can I sell the tax credits?**

Technically speaking, no. Credits may be syndicated through the use of limited partnerships, but they may not be directly sold. Syndication is a common tool for bringing investors into a rehabilitation project, but must be carefully thought out at the beginning of the project. Federal credits must be allocated according to percentage of ownership. The state credit, however, may be allocated by agreement among partners.

### **How can a nonprofit organization take advantage of the tax credits?**

By taking on taxpayers under a limited partnership arrangement and maintaining a minority ownership interest as a general partner, many nonprofit organizations have been able to use the tax credits to their advantage.

### **How do I apply for the credit?**

Applying for the credit is a three-part process. Part 1 requests certification that the building is historic – i.e. eligible for the program. For properties that are individually listed, Part 1 is not necessary. For all other properties – i.e. those seeking certification that they are contributing structures in a listed historic district or individually eligible for listing – a Part 1 is required. Photographs showing the property in its pre-rehabilitation state must be submitted with Part 1.

Part 2 requests certification that the proposed rehabilitation work appears to be consistent with the Secretary's Standards. Part 2 is the most complex part of the application. It requires a description of each significant architectural feature of the property and how it will be treated in the rehabilitation. Many property owners choose to complete Part 2 themselves using the Department's **Sample Rehabilitation Proposal** as a guide. Others hire a professional consultant to assist them. A list of consultants is available from the Department upon request. Additional photographs of the property are sometimes necessary to document Part 2.

Part 3 requests certification that the completed work is consistent with the Secretary's Standards. Photographs showing the completed work must accompany Part 3.

All completed projects must have an independent CPA review the expenses incurred by the specific project. Projects below \$500,000 should follow the “Agreed-Upon Procedures Report” example; projects with rehabilitation expenses of \$500,000 or greater should follow the “Illustrative Audit Report” example. This should be submitted with the Part 3 application.

### **What are the standards for photographic documentation for the application?**

The size and clarity of the photographic images must adequately document the before and after conditions of the building. 24 to 36 photographs are generally sufficient for the average project. However, it is better to have more photographs than to have too few. Conventional 35mm color photographs are preferred. Although the popularity of digital photographs has increased, they generally fail to provide adequate resolution of details that are an important source of information. If photographs are judged to be insufficient, the reviewer may place your application on hold and request additional photographs, which could delay your project’s progress.

As noted in the application, photographs must be labeled with the following information: building name and/or address, view (e.g., north side), and description (e.g., plaster damage in dining room, north wall). Photographs must be numbered and keyed to the description of proposed work.

### **What should I photograph?**

For most buildings, the following features should be photographed in order to allow for proper evaluation:

- Site and surrounding environment. Streetscape photographs are recommended for urban buildings.
- All exterior elevations. Where elevations are partially blocked by adjacent buildings or trees, it may be necessary to take several photographs from different angles to show the whole elevation.
- Typical exterior features: siding, window sash, foundations, roofing, shutters.
- Details of deteriorated exterior features: peeling paint, failed mortar joints, deteriorated sash.
- Exterior areas where major rehabilitation work is proposed.
- Outbuildings: garages, barns, dependencies.
- Major interior spaces: hallways, stairways, parlors, and principle rooms. Wide-angle photographs are strongly recommended.
- Typical interior spaces, including all areas to be affected by the rehabilitation.
- Major interior features: staircases, mantelpieces, woodwork, etc.
- Representative interior finishes: peeling paint, failed plaster, rotten woodwork, previously altered features.
- Interior areas where major rehabilitation work is proposed.

### **I began rehabilitating a historic building last year, but I have just learned about this program. Can I still qualify for the credits?**

Possibly. It is much more difficult to qualify for the credits if you don’t submit Parts 1 and 2 before beginning work, but in some cases it may be possible. You must have good photographs showing the building before the rehabilitation work began, as

described in the preceding question. If you do not have this documentation, you probably cannot qualify for the credits. Additionally, the work which you have already completed must meet the *Secretary's Standards*.

If you have already completed your rehabilitation work, and your building is not individually listed on the National Register, you cannot qualify for the federal credit. The IRS has taken a strong position that if the Part 1 has not been submitted before the building is placed in service, it is not a certified historic building and the credit is not available. Failure to submit the Part 1 before completing work is not necessarily fatal to the state credit, provided that all other requirements of the program are met. However, the deadline for application for the state credit is one year after your completion date. You *must* submit a complete, fully documented application by this date in order to qualify for the state credit.

### **How do I claim the credit?**

The federal credit is claimed on IRS Form 3468. The IRS requires information related to the substantial rehabilitation test and a copy of the certification of the completed work by the Secretary of the Interior. To claim the state credit, the taxpayer must complete the state Schedule CR and attach a copy of the certification of the completed work by the Department of Historic Resources.

### **What is the 10% credit?**

The federal government allows a 10% rehabilitation tax credit for buildings which were constructed before 1936, but are not certified historic structures. If the building is listed on the National Register it is automatically a certified historic structure, and is not eligible for the 10% credit. If it is located within a listed historic district, it is eligible for the 10% credit only if it is certified (through the submission of a Part 1) as *not* contributing to the district. The building must also meet the following conditions:

- Is used for non-residential rental purposes;
- Has not been physically moved; and
- Meets the external and internal wall retention tests set forth under federal regulations.

Property owners are not required to follow the Secretary's Standards in order to claim the 10% credit.

There is no corresponding state credit for rehabilitation of buildings that are not certified historic structures.

### **Where can I find the regulations governing these programs?**

The federal regulations governing the National Park Service's review of tax credit applications are found at *36 CFR 67*. The regulations governing the use of the tax credit itself (the IRS regulations) are found at *26 CFR 1.48-12*.

The Virginia legislation authorizing the state tax credit is found at *Va. Code. §§10.1-2202 and 58.1-339.2* of the Code of Virginia. The regulations for the state program are final as of February 10<sup>th</sup>, 2016.

**How can I get additional information?**

For additional information on the federal program, check out the National Park Service's website at [www.cr.nps.gov/helpyou.htm#tax](http://www.cr.nps.gov/helpyou.htm#tax), or its IRS Connection at <http://www2.cr.nps.gov/tps/tax/IRS.htm>.

For additional information about the state tax credit program, check out the Department's website at [www.dhr.virginia.gov](http://www.dhr.virginia.gov). To speak to a representative or to make an appointment please call (804) 367-2323.