

HISTORIC REHABILITATION TAX CREDITS

The Federal Historic Rehabilitation Tax Credit (RTC) provided under Section 47 of the Internal Revenue Code permits project owners or third-party investors to receive a credit against Federal income taxes for “qualified rehabilitation expenditures” incurred to rehabilitate “qualified rehabilitated buildings” and “certified historic structures.”

The amount of the RTC is 10% of qualified rehabilitation expenditures incurred in connection with the rehabilitation of pre-1936 buildings that are not “certified historic structures” and 20% of qualified rehabilitation expenditures incurred in connection with the “certified rehabilitation” of a “certified historic structure.” A qualified rehabilitation expenditure includes any amount chargeable to a capital account and incurred in connection with the rehabilitation (including reconstruction) of a “qualified rehabilitated building” that is depreciable under Section 168 of the Code and that is (i) nonresidential real property, (ii) residential rental property, or (iii) real property having a class life of more than 12.5 years. The term “qualified rehabilitation expenditures” includes costs incurred for architectural and engineering fees, site survey fees, legal expenses, insurance premiums, development fees, and other construction related costs to the extent that they are properly capitalized.

The term “certified historic structure” is defined in the Code as any building (and its structural components) that is either (i) listed in the National Register, or (ii) located in a registered historic district and certified by the Secretary of the Interior to the Secretary of the Treasury as being of historic significance to the district. The Code defines the term “qualified rehabilitated building” to mean any building (and its structural components) that satisfies the following requirements:

- The building has been substantially rehabilitated. The Code provides that a substantial rehabilitation is one in which the qualified rehabilitation expenditures during the 24-month period selected by the taxpayer and ending with or within the taxable year in which the qualified rehabilitated building is placed in service exceed the greater of (i) \$5,000 or (ii) the adjusted basis of the building (and its structural components).
- The building was placed in service before the beginning of the rehabilitation;
- Except for a certified historic structure, (A) at least 50% of the building’s external walls were retained in place as external walls, (B) at least 75% of the building’s external walls were retained in place as either external or internal walls, and (C) at least 75% of the building’s internal structural framework was retained in place; and
- Except for a certified historic structure, the building must first have been placed in service before 1936.

The RTC may be claimed in the year in which the qualified rehabilitated building or certified historic structure is placed in service. There is no tax credit cap per project. The RTC may be carried back one year and carried forward for 20 years. In 2008 Congress approved the historic tax credit as an offset against the AMT.

If you have any questions regarding RTC financing, please contact United Fund Advisors.

CONTACT

Chris Hasle, Principal | 503.546.2643 | chris@unitedfundadvisors.com
Colin Rowan, Principal | 503.546.2647 | colin@unitedfundadvisors.com
Cam Turner, Principal | 503.546.2639 | cam@unitedfundadvisors.com
24 NW First Avenue, Suite 470, Portland, Oregon, 97209
T: 503.226.1370 F: 503.796.5865
www.unitedfundadvisors.com