



The NEW NC Historic Preservation Tax Credits

The Basics

INCOME PRODUCING - Continues to piggyback onto the Federal credit.

- Former regular historic credits and enhanced Mill credits combined.
- Tiered base credit –
15% up to \$10 million of QREs, 10% from \$10 million to \$20 million, no credit above \$20 million.
- Bonus credits - 5% Development Tier Bonus for projects in Tier 1 or 2 county.
5% Targeted Investment – manufacturing or agricultural related at least 65% vacant for two years preceding eligibility certification.
- Maximum credit \$4,500,000, based on a \$20 million project of a vacant mill in distressed county.
- Mandatory five year carryforward eliminated. Credit may be taken in year structure placed in service and carried forward for nine years.
- New credit effective January 1, 2016, sunsets January 1, 2020.
- Eligibility certification for projects certified under the previous Mill program expire January 1, 2023.
- Fee schedule to be determined, no greater than 1% of QREs.

NON-INCOME PRODUCING - Homeowner credits.

- Property must be National Register listed or be contributing to a NR listed Historic District.
- Credit 15% of eligible rehabilitation expenses.
- Project threshold reduced to \$10,000 of rehabilitation expenses.
- Project cap limits eligible rehabilitation expenses to \$150,000 - maximum credit is \$22,500.
- Eligible rehabilitation expenses must be incurred within any 24 month period.
- Mandatory five year carryforward eliminated. Credit may be taken in year structure placed in service and carried forward for nine years.
- Credits may be transferred with property so long as transfer of property occurs before it is placed in service.
- Taxpayer is allowed to claim credits for a rehabilitation once every five years.
- New credit effective January 1, 2016, sunsets January 1, 2020.
- Fee schedule to be determined, no greater than 1% of rehabilitation expenses.

NATIONAL REGISTER FACT SHEET 1

WHAT IS THE NATIONAL REGISTER OF HISTORIC PLACES?

The National Register of Historic Places is the nation's official list of buildings, structures, objects, sites, and districts worthy of preservation for their significance in American history, architecture, archaeology, and culture. The National Register was established by the National Historic Preservation Act of 1966. The purpose of the Act is to ensure that as a matter of public policy, properties significant in national, state, and local history are considered in the planning of federal undertakings, and to encourage historic preservation initiatives by state and local governments and the private sector.

What the National Register Means for the Private Property Owner

The listing of a property in the National Register places no obligation or restriction on a private owner using private resources to maintain or alter the property. Over the years, various federal incentives have been introduced to assist private preservation initiatives. A private owner of a National Register property becomes obligated to follow federal preservation standards only if federal funding or licensing is used in work on the property, or if the owner seeks and receives a special benefit that derives from National Register designation, such as a grant or a tax credit described below.

When a National Register nomination is prepared, all buildings, objects, structures and sites on each property must be categorized as contributing or noncontributing. Contributing resources are those constructed during the period of significance which substantially convey their appearance from that period. Noncontributing resources are those that do not date from the period of significance or date from the period of significance and have been substantially altered.

National Register listing should not be confused with local historic property and historic district designations. These designations are made by a local governing board on the recommendation of a local historic preservation commission. This program of local designations is an option available to local governments under North Carolina enabling legislation (G.S. 160A-400). Properties and districts listed in the National Register sometimes also receive local designation in jurisdictions where local preservation commissions have been established according to the state enabling legislation, but there is no direct correlation between National Register listing and local designation.

National Register listing means the following:

1. Consideration and Protection in Public Planning:

All properties and districts listed in or eligible for listing in the National Register are considered in the planning of federal undertakings such as highway construction and Community Development Block Grant projects. "Federal undertakings" also include activities sponsored by state or local governments or private entities if they are licensed or partially funded by the federal government. "Federal undertakings" do not include federal farm subsidies or loans made by banks insured by the FDIC.

National Register listing does not provide absolute protection from federal actions that may affect the property. It means that if a federal undertaking is in conflict with the preservation of a National Register property, the North Carolina Historic Preservation Office will negotiate with the responsible federal agency in an effort to eliminate or minimize the effect on the historic property. This review procedure applies to properties that are determined eligible for the National Register in the day-to-day environmental review process as well as those actually listed in the National Register.

Similarly, North Carolina law (G.S. 121-12a) provides for consideration of National Register properties in undertakings funded or licensed by the state. Where a state undertaking is in conflict with the preservation of a National Register property, the North Carolina Historical Commission is given the opportunity to review the case and make recommendations to the state agency responsible for the undertaking. The commission's recommendations to the state agency are advisory.

2. Incentives for the Preservation of National Register Properties:

Tax Benefits. Under the federal Tax Reform Act of 1986, a privately owned building that is listed in the National Register or is a contributing building in a National Register historic district may be eligible for a 20% federal income investment tax credit claimed against the costs of a qualified rehabilitation of the building. The federal credit applies only to income-producing, depreciable properties, including rental residential properties. The federal credit does not apply to owner-occupied residential properties. The cost of the rehabilitation must exceed the adjusted basis of the building. Plans for the rehabilitation are reviewed by the North Carolina Historic Preservation Office and the National Park Service, and work on the building must meet the *Secretary of the Interior's Standards for Rehabilitation*.

Please note that the former North Carolina State Historic Credit program expired for rehabilitation expenses incurred after December 31, 2014. New state historic tax credit programs go into effect on January 1, 2016 for both income-producing properties and non-income-producing properties, including private residences.

This new program allows taxpayers who receive the federal income tax credit for rehabilitating certified historic structures to take a state credit against North Carolina income taxes on income-producing properties. Also these new North Carolina tax credits provide a state income tax credit for non-income-producing properties listed in the National Register or as a contributing building in a National Register historic district, including private residences. For more information and applications, contact the Tax Credit Coordinator at the address given below, or call 919/807-6585 for income-producing projects or 919/807-6574 for non-income-producing projects.

The Tax Treatment Extension Act of 1980 provides federal tax deductions for charitable contributions of partial interests (easements) in historically significant properties for conservation purposes. Interested individuals should consult legal counsel or the local Internal Revenue Service office for assistance in determining the tax consequences of the provisions of this act.

Grants and Loans. A limited program of matching grants for the rehabilitation of National Register properties, including those that are privately owned, was authorized by the National Historic Preservation Act of 1966, but has not been funded to a significant degree since the early 1980s. A loan program authorized by the Act has never been funded.

In some years, the North Carolina General Assembly has made funds for preservation projects available to local governments and nonprofit groups through one-time discretionary appropriations. Such appropriations may or may not be repeated in coming years. The only private properties that have received state appropriations are those owned by non-profit organizations. Listing in the National Register has not been a precondition for receipt of a state grant.

Owner Consent: A privately owned individual property may not be listed in the National Register over the objection of its owner or, in the case of a property with multiple owners, over the objection of a majority of owners. A district may not be listed in the National Register over the objection of a majority of owners of private property within the proposed district. For a complete description of procedures for objecting to a National Register nomination, see *National Register Fact Sheet 5*: "Procedure for Supporting or Objecting to National Register Listing."

See also the following numbered *National Register Fact Sheets*:

- 2: "National Register Criteria for Evaluation"
- 3: "How Historic Properties Are Listed in the National Register of Historic Places"
- 4: "The National Register of Historic Places in North Carolina: Facts and Figures"

See the handout entitled "A Comparison of the National Register of Historic Places With Local Historic Landmark and District Designations" for a review of the differences between these two programs.

FOR MORE INFORMATION:

Historic Preservation Office website at <http://www.hpo.ncdcr.gov>

Historic structures and the National Register: Survey and National Register Branch, 919/807-6570

Archaeological sites and the National Register: Office of State Archaeology, 919/807-6554

Preservation tax credits and technical restoration assistance: Restoration Services Branch, 919/807-6570

Environmental protection and planning: Environmental Review Branch, 919/807-6570

Written inquiries to each of these branches may be sent to the State Historic Preservation Office, 4617 Mail Service Center, Raleigh, North Carolina 27699-4617.

The National Register program is governed by the following federal and state rules and regulations: 36CFR Part 60 (interim rule), 36CFR Part 61 (final rule), and North Carolina Administrative Code T07: 04R .0300.





North Carolina State Historic Preservation Office
Department of Natural & Cultural Resources

**Historic Preservation Rehabilitation Tax Credits
for Non-Income-Producing Residential Properties**

North Carolina's State Historic Rehabilitation Tax Credit Program provides jobs, bolsters the tax base, and revitalizes existing buildings and infrastructure, while preserving the state's priceless historic character. This program administered by the State Historic Preservation Office, encourages the conservation of North Carolina's historic resources.

Homeowners may receive a 15% state tax credit for certified rehabilitations of non-income-producing residential properties.

	<p>Example for Owner-Occupied Residential Property</p> $\begin{array}{r} \$100,000 \text{ Rehabilitation Expenses} \\ \times \quad 15\% \text{ State Tax Credit} \\ \hline \$15,000 \text{ Tax Credit Amount} \end{array}$	
<i>before</i>		<i>after</i>

Eligibility

- Buildings listed in the **National Register of Historic Places**, either individually or as a contributing building in a National Register historic district are candidates. Contributing buildings within one of the state's three certified local historic districts in Raleigh, Goldsboro, or Madison, are also candidates.
- The rehabilitation of the historic structure must exceed \$10,000 within a 24 month period. Eligible rehabilitation expenses must be incurred within any 24 month period.
- Eligible rehabilitation expenses are limited to \$150,000, with a maximum tax credit of \$22,500. Qualified rehabilitation expenditures may be incurred January 1, 2016 through December 31, 2019, the sunset date of the tax credit program.
- Taxpayers may undertake one rehabilitation project every five years for this program.
- All rehabilitation work must meet **The Secretary of the Interior's Standards for Rehabilitation**.
- Regardless of total rehabilitation expenditure, the State Historic Preservation Office will review all work for compliance with the Standards.

The Secretary of the Interior's Standards for Rehabilitation were developed to determine the appropriateness of proposed project work on National Register listed properties and have been widely used since 1976. The intent of the Standards is to promote the long-term preservation of a property's significance through the preservation of historic materials and features on the exterior and interior of buildings. They also encompass related landscape features and the building's site and environment, as well as attached, adjacent, or related new construction.

Application Process

Property owners are strongly advised to consult with the State Historic Preservation Office before beginning a rehabilitation to resolve potential design and rehabilitation problems that could result in the denial of the credits.

There is a two-step tax credit application process. Applications are submitted by the owner for review and approval by the State Historic Preservation Office.

- **Part A- Description of Rehabilitation**
Consists of detailed descriptions of existing conditions and the proposed work, overall before rehabilitation photos, and plans or drawings, as needed, to fully describe the scope of the rehabilitation project.
- **Part B – Request for Certification of Completed Work**
Consists of after photos documenting the rehabilitated property and documentation that the building contributes to a National Register Historic District. No documentation is needed for properties individually listed on the National Register.
- Fee payment is due for projects of \$25,000 or more, see fee schedule.

Claiming the Credit

- The credits cannot be claimed against the cost of acquisition, new additions (volume increase), site work, or personal property. Generally, costs incurred for rehabilitating the existing structure will qualify as rehabilitation expenses.
- The tax credits must be claimed the year the structure is placed in service. Any unused credits from year one may be carried forward for the following nine years.
- Credits may be transferred with property so long as transfer of property occurs before the structure is placed in service.

A property is listed in the **National Register of Historic Places** by a nomination prepared according to detailed state and federal guidelines. Although all nominations are reviewed by the State Historic Preservation Office, the final authority on National Register listing is the Keeper of the National Register in Washington, D.C. Most nominations are prepared by private consultants hired by property owners, local governments, or private non-profit organizations. The nomination process typically takes a minimum of six months, and may take much longer. For information about the National Register of Historic Places and the requirements and procedures for listing contact our office.



For information contact David Christenbury, Preservation
Architect and Non-income-producing Tax Credit Coordinator
919-807-6574

For application materials contact Jannette Coleridge-Taylor,
Program Assistant
919-807-6590

For information on the federal and state income-producing
tax credit programs visit the HPO website
<http://www.hpo.ncdcr.gov/tchome.htm>



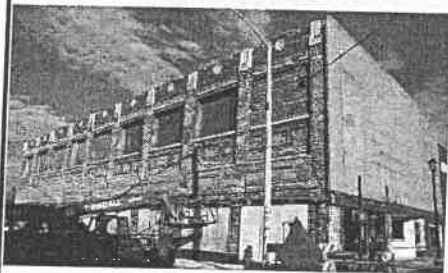
North Carolina State Historic Preservation Office

Department of Natural & Cultural Resources

Historic Preservation Tax Credits for Income-Producing Properties

The Federal and State Historic Rehabilitation Tax Credit Programs provide jobs, bolster the tax base, and revitalize existing buildings and infrastructure, while preserving the state's priceless historic character. The programs administered by our office, the State Historic Preservation Office, in conjunction with the National Park Service, encourage the conservation of North Carolina's historic resources.

Owners and developers may receive a 15-25% state tax credit and a 20% federal tax credit for certified rehabilitations of income-producing historic structures.



Example for Income-Producing Properties

$$\begin{array}{r} \$1,000,000 \text{ Rehabilitation Expenses} \\ 20\% \text{ Federal Tax Credit} \\ \times \quad 15\% \text{ Base Level State Tax Credit}^* \\ \hline \$350,000 \text{ Tax Credit Amount}^{**} \end{array}$$

* The base amount for the state tax credit is graduated according to project budget. For projects up to \$10M in qualified rehabilitation expenditures, the state tax credit is 15%. For projects with \$10-20M in qualified rehabilitation expenditures, the state tax credit is 10%.

** The following state bonus tax credits are potentially available to property owners and developers:

- **5% Development Tier Bonus** for projects in Tier 1 or 2 Counties, with qualified rehabilitation expenditures not exceeding \$20M.
- **5% Targeted Investment Bonus** for manufacturing or agricultural related properties at least 65% vacant for two years preceding eligibility certification, and with qualified rehabilitation expenditures not exceeding \$20M. Eligibility certification for this bonus credit is made by the State Historic Preservation Officer.

Eligibility

- Buildings listed in the **National Register of Historic Places** are candidates, either individually or as a contributing building in a National Register historic district. Contributing buildings within one of the state's three certified local historic districts in Raleigh, Goldsboro, or Madison, are also candidates.
- The rehabilitation of the historic structure must be substantial. For income-producing properties, the rehabilitation expenses must exceed the greater of the adjusted basis of the building or \$5,000 within a 24-month period or a 60-month period for phased projects.
- All rehabilitation work must meet **The Secretary of the Interior's Standards for Rehabilitation**. Applications are subject to a joint review by the State Historic Preservation Office and the National Park Service, with final authority resting with the National Park Service.

The Secretary of the Interior's Standards for Rehabilitation were developed to determine the appropriateness of proposed project work on National Register listed properties and have been widely used since 1976. The intent of the Standards is to promote the long-term preservation of a property's significance through the preservation of historic materials and features on the exterior and interior of buildings. They also encompass related landscape features and the building's site and environment, as well as attached, adjacent, or related new construction.

Application Process

Property owners are strongly advised to consult with our office before beginning a rehabilitation to resolve potential design and rehabilitation problems that could result in the denial of the credits.

There is a three-step application process. Applications are submitted by the owner for review by the State Historic Preservation Office (HPO), which provides technical assistance on appropriate rehabilitation treatments, application advice, and potential site visits. The HPO forwards the application to the National Park Service (NPS) with a recommendation. NPS reviews the rehabilitation project for conformance with the Standards and issues a certification decision.

- **Part 1 – Evaluation of Significance**
Provides documentation that the building contributes to a National Register Historic District or property. No documentation is needed for properties individually listed in the National Register.
- **Part 2 (Federal) and Part A (State) – Description of Rehabilitation**
Consists of detailed descriptions of existing conditions and the proposed work, overall before rehabilitation photos, and plans or drawings, as needed, to fully describe the scope of the rehabilitation project.
- **Part 3 (Federal) and Part B (State) – Request for Certification of Completed Work**
Consists of after photos documenting the rehabilitated property.

Claiming the Credit

- The credits cannot be claimed against the cost of acquisition, new additions (volume increase), site work, or personal property. Generally, costs incurred for rehabilitating the existing structure will qualify as rehabilitation expenses.
- The federal tax credits may be claimed in the year the building is placed in service. Any unused credits may be carried back one year and carried forward 20 years.
- The state tax credits may be claimed the year the structure is placed in service. Any unused state credits from may be carried forward for the next nine years.

Taxpayers should consult a tax advisor, NC Department of Revenue, or the Internal Revenue Service for help in determining tax and other financial implications.

A property is listed in the **National Register of Historic Places** by a nomination prepared according to detailed state and federal guidelines. Although all nominations are reviewed by the State Historic Preservation Office, the final authority on National Register listing is the Keeper of the National Register in Washington, D.C. Most nominations are prepared by private consultants hired by property owners, local governments, or private non-profit organizations. The nomination process typically takes a minimum of six months, and may take much longer. For information about the National Register of Historic Places and the requirements and procedures for listing contact our office.



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Program Assistant
919-807-6590

For information on the state non-income-producing
residential tax credit program visit the HPO website
<http://www.hpo.ncdcr.gov/tchome.htm>