

Funding Assistance for Repairs to Historic Structures

The information provided below can be found on the State of Louisiana, Office of Cultural Development Division of Historic Preservation web site: <http://www.crt.state.la.us/hp/>

1. TAX INCENTIVES

The Louisiana Division of Historic Preservation administers the Federal Rehabilitation Tax Credit in conjunction with the National Park Service and Internal Revenue Service and two State tax credits in conjunction with the Louisiana Department of Revenue. The purpose of tax credits is to encourage the preservation of historic buildings through incentives to support rehabilitation of historic and older buildings.

Applicants are strongly advised to consult the State Historic Preservation Office (SHPO) early in the process of preparing an application.

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IMPORTANT INFORMATION:

The credit is not automatically available to any owner of an historic building. An application must be filed with DHP. Although not recommended, applications can be accepted after commencement of rehabilitation work. However, the Part 1 or Part A application must be submitted prior to the building's placement in service.

It is best for an owner not to start construction until after the Part 2 application has been approved. If work is begun without an approved application, the owner proceeds at his own risk.

Approval of a rehabilitation project by any other group, organization, or governmental entity does not insure approval by DHP or NPS.

All applicants are advised to consult with their tax attorneys and/or certified public accountants in developing projects to determine if the credit will work for you.

1a. FEDERAL HISTORIC REHABILITATION TAX CREDIT

- The Federal Rehabilitation Tax Credit is for 20% of the costs of rehabilitation expenses for an income producing building.
- The credit is available for income-producing properties that are contributing elements to a National Register Historic District, or individually listed on the National Historic Register. All properties must be certified by the National Park Service.
- To qualify, the rehabilitation work must exceed the adjusted basis for the building (either the purchase price minus the value of the land, or the current depreciated value).

Application Process

The application is a three part process. Each part requires approval or “certification” by the National Park Service. The application is always submitted in duplicate to the Division of Historic Preservation, which retains one copy and forwards the other to the National Park Service.

Part 1: Documents the building as a certified historic structure and one that is eligible to receive the tax credit. If the building is individually listed on the National Register, a Part 1 need not be submitted. If a building is located within a National Register Historic District, a Part 1 must be submitted.

Part 2: Describes the proposed rehabilitation project. This should include all work items on which money is being spent.

Part 3: Request for Certification of Completed Work, documents that the work was completed according to Standards.

Additional information on the Federal tax incentive program can be found on the following National Park Service website: <http://www.nps.gov/history/hps/tps/tax/index.htm>

An information booklet and applications are available upon request from the Division of Historic Preservation. Files are also available for download from the SHPO website. Required files include:

- Federal Tax Credit Application
- An Illustrated Guide to Completing the Federal Rehabilitation Tax Credit Application
- Secretary of the Interior's Standards for Rehabilitation
- National Park Service's Federal Historic Preservation Tax Incentives

1b. STATE COMMERCIAL TAX CREDIT

To be eligible for the 25% Tax Credit:

- The building must be a contributing element to a Downtown Development District (DDD) or a Cultural District.
- The building must be used for an income-producing purpose.
- Eligible expenses must exceed \$10,000
- No taxpayer or entity affiliated with that taxpayer may receive more than \$5 million in credits for rehabilitation work within a particular DDD.

- Rehabilitation must meet the Secretary of the Interior’s Standards for Rehabilitation.
- Any unused credit may be carried forward for up to five years.
- The credit may be sold to a third party under certain circumstances. Applicants are advised to consult their tax professional in this case
- This credit may be used in addition to the Federal Historic Rehabilitation tax credits, provided that the most stringent program requirements are met. It may also be combined with the State Residential Tax Credit Program if the building is mixed-use.

Application Process

The application is a three part process. Each part requires approval or “certification” by the Division of Historic Preservation.

Part 1: Documents the building as a certified historic structure and one that is eligible to receive the tax credit.

Part 2: Describes the proposed rehabilitation project. This should include all work items on which money is being spent.

Part 3: A Request for Certification of Completed Work, documents that the work was completed according to Standards.

Applications are available upon request from the Division of Historic Preservation. Files are also available for download from the SHPO website. Required files include:

- State Tax Credit Application
- An Illustrated Guide to Completing the State Commercial Tax Credit
- Secretary of the Interior's Standards for Rehabilitation
- Claim & Transfer of Credit

FEDERAL AND STATE APPLICANTS:

When applying for both programs, applicants should submit to DHP a complete Federal application in duplicate and only the cover sheet of each Part of the State application (property information and owner information). All Federal and state forms must be signed and dated.

1c. STATE RESIDENTIAL TAX CREDIT

- Homeowners may qualify for up to a 25% tax credit against their Individual State income taxes when they rehabilitate their historic or blighted home.
 - The work is carried out on a building which has been determined to be a Qualified Residence
 - The building is rehabilitated according to the Secretary of the Interior’s Standards for Rehabilitation
 - The costs of the rehabilitation exceed twenty thousand dollars (\$20,000)
 - The rehabilitated building is the owner’s primary residence
 - The work is primarily rehabilitation and not remodeling

The Credit

The percentage of credit awarded is based on the homeowner's Adjusted Gross Income (AGI).

- 25% credit=AGI less than or equal to \$50,000
- 20% credit=AGI \$50,001-\$75,000
- 15% credit=AGI \$75,001-\$100,000
- 10% credit=AGI \$100,001 plus. (*Available only for vacant and blighted residential buildings at least 50yrs. old*)

Tax Credits awarded by the state will not exceed \$10 million in any calendar year. Credits will be granted on a first-come, first-served basis. The credits will be awarded when the project is completed. Only one State Residential Historic Rehabilitation Tax Credit is allowed per building.

Eligible Properties

- A contributing element to a Cultural District
- A contributing element to a National Register District
- A contributing element to a locally designated historic district
- A contributing element to a Main Street District
- A contributing element to a Downtown Development District
- A residential structure that has been listed or that is eligible for listing on the National Register of Historic Places
- A vacant and blighted building at least 50 years old.

Vacant and Blighted Properties

A building is considered vacant and blighted if it has been unoccupied for six months, and if at least one of the following conditions exists:

- The building conditions pose a danger to the community
- The building is not being properly maintained
- The building is becoming dilapidated
- The building is attracting illegal activity
- The building is a fire hazard
- The building is a factor in depreciating property values in the neighborhood due to its poorly maintained state.

Application Process

The application is a three part process. Each part requires approval or “certification” by the Division of Historic Preservation.

Part 1: Provides certification that a building is historic and that it is located within a qualifying district.

Part 2: Is used to describe the proposed rehabilitation project. This should include all work items on which money is being spent.

Part 3: A Request for Certification of Completed Work, documents that the work was completed according to Standards.

Applications are available upon request from the Division of Historic Preservation.

Files are also available for download from the SHPO website. Required files include:

- Program Guidance
- Instructions and Checklist
- State Residential Tax Credit Applications(4 Forms)
 - Residential Tax Credit Preliminary Application
 - Residential Tax Credit Proposed Rehabilitation
 - Residential Tax Credit Certificate of Completion
 - Residential Tax Credit Amendment Sheet
- An Illustrated Guide to Completing the State Residential Tax Credit Application
- Secretary of the Interior's Standards for Rehabilitation

2. RESTORATION TAX ABATEMENT PROGRAM

Under normal circumstances, if an owner improves, renovates or adds on to a building, the assessed value goes up and so do the property taxes. Under the recently expanded Restoration Tax Abatement Program, the assessed value and the property assessment can be frozen at the pre-improvement level for five years, resulting in substantial tax savings. In many parishes, the RTA can be renewed for an additional five years. In addition, this program can be used in combination with the federal historic preservation tax credit program, resulting in even more substantial savings. It should be noted that the tax relief provided by the Restoration Tax Abatement Program is not automatic; rather it must be granted by the local taxing authority, generally the municipality and the Louisiana Board of Commerce and Industry.

What Properties Qualify:

The tax abatement program is available for buildings individually listed in the National Register of Historic Places or buildings that are considered historic components of Register districts. It is also available for existing buildings in downtown or economic development districts. It should be noted that, unlike the federal historic preservation tax credit program, the state tax abatement program can be used both for commercial structures and owner-occupied private homes. Improvement projects proposed for historic buildings (i.e., listed individually on the National Register or historic components of Register districts) must be approved by the Louisiana Division of Historic Preservation.

Financial Considerations:

Unlike the federal tax credit program, the State Restoration Tax Abatement Program does not generally have a financial threshold requirement for commercial structures. That is, for most projects, there is no set minimum amount of money an owner must spend in order to qualify. In most cases any project, however small, would be acceptable. The only exception to this is that, on owner-occupied dwellings, projects must be valued at least 25% of the assessed valuation of the building. In this case, the assessed valuation is generally figured at 10% of the appraised market value.

Another important feature of the state tax abatement program is that, in most cases, the financial benefit applies to additions to a building as well as to work on the building itself, thus increasing the tax savings. An owner's tax abatement is established by a contract through the Louisiana Department of Economic Development with the Board of Commerce and Industry.

For more information, please contact:

Restoration Tax Abatement Program

Business Incentives Division

Office of Business Development

Department of Economic Development

P. O. Box 94185

Baton Rouge, LA 70804-9185

Phone (225) 342-5341

<http://www.louisianaeconomicdevelopment.com/opportunities/incentives--programs/restoration-tax-abatement.aspx>

3. GRANTS

Federal funding for restoration grants were available the first few years after passage of the Historic Preservation Act of 1966. When the Federal government expanded the tax incentives in 1981, regular funding for the grants were no longer made available. More information on grants can be found on the state website for historic preservation: <http://www.crt.state.la.us/hp/>