

## Historical Tax Credit

### Examples of Qualifying and Non-Qualifying Costs

A historical credit is allowed for approved expenditures incurred in the restoration and preservation of a qualified historic structure. All project work must meet the Secretary of the Interior's Standard of Rehabilitation and be pre-approved by the Kansas Historical Society. Certified historic structure by section 47 (c) (3) of the federal internal revenue code includes any building and its structural components. IRC 47 further defines "qualified rehabilitation expenditures" as any amounts properly chargeable to capital accounts for which depreciation is allowed under section 168 and which has a class life of 12.5 years or more (1250 property, not 1245 property). Qualified rehabilitation expenditures do not include Section 38 property. Section 38 property is tangible personal property with an estimated useful life of 3 years or more for depreciation purposes. Tangible personal property is anything that is not a structural component of a building. (26 C.F.R. 1.48-1) Kansas Historical Society approves the total project but only qualified expenditures are counted for the tax credit.

#### Examples of Qualified Costs:

- Exterior Building Surfaces
- Masonry
- Roofs
- Fire Escapes
- Marquees
- Windows
- Doors
- Chimneys
- Walls
- Partitions (if built into the structure)
- Ceilings
- Floors
- Carpeting (if glued down)
- Tile (grouted, cemented, mudded or epoxy)
- Paneling (if permanent)
- Seating (if permanently affixed)
- Stage rigging including stage curtains
- Stairs
- Escalators and Elevators (if contained within the historic structure)
- Lighting and Fixtures
- Electrical Wiring
- Data and communication wiring (not including routers, switches, servers, and other similar items)
- HVAC Systems and Components
- Plumbing and Fixtures
- Sprinkler Systems (for building)
- Cabinets and Countertops
- Tax Credit fees
- Engineering fees
- Architect fees
- Reasonable developer fees
- Construction period interest and tax
- Construction management cost
- Any fees that would normally be charged to a capital account

#### Examples of Non-Qualified Costs:

- Landscaping
- Planters
- Parking Lots
- Sidewalks
- Storm Sewers
- Paving
- Retaining Walls
- Fencing (construction interim is allowed)
- New Construction
- Moving a building to a new location
- Enlargement Costs (any increase in overall area)
- Demolition Costs (removal of a building or addition on property site)
- New Porches (if not original to the building)
- Porticos and Decks (if not original to the building)
- Millwork (if not original to the building)
- Furniture
- Outdoor lighting remote from the building
- Awnings and Canopies
- Signage
- Window Treatments (curtains, blinds, shutters)
- Appliances
- Carpeting (if tacked down or less permanent)
- Less permanent floor covering (VCT, Vinyl, etc)
- Acquisition Costs
- Projects that involve only soft costs
- Feasibility Studies (as a project)
- Any costs paid with Insurance Proceeds or Grants

There are "soft costs" which also qualify when included in a project. These include construction period interest and taxes, architect fees, construction management costs, reasonable developer fees, and any other fees that would normally be charged to a capital account. These "soft costs" are only allowed to the extent that they are applied to the historic structure. Any fees that are attributable to any item other than the historic structure are not allowable. Every factual situation will be reviewed on its own merit.

If you are unsure about the eligibility of an item and would like clarification, please contact Charla Wagner at 785-291-3288 at the Kansas Department of Revenue.