

State Rehabilitation Tax Credits

Kansas Historical Society

www.kshs.org

<http://www.kshs.org/p/tax-credit-basics/14673/> - State Tax Credit Website & Downloadable Applications

Kristen Johnston
785-272-8681 ext. 213
kjohnston@kshs.org

Matthew Holtkamp
785-272-8681 ext. 256
mholtkamp@kshs.org

What is a tax credit?

A tax credit is different from a tax deduction. A deduction is taken from your earned income and causes you to pay a lower amount of taxes. A credit is taken off of the income taxes you owe to the federal or state government. For example, you figure your taxes, taking all your normal deductions, and the bottom line says you owe \$3,000. If you had \$2,000 in tax credits you would only owe \$1,000 in taxes.

Why should I be interested in state rehabilitation tax credits?

- They provide incentives to improve and maintain historic buildings and districts.
- They provide the opportunity to save up to 25% on qualified rehabilitation expenses for qualified properties.
- They provide the opportunity to use historic preservation as an economic development tool. Historic preservation can revitalize and bring character to a community or neighborhood.
- They provide an opportunity to use historic preservation as a business development tool for real estate and construction related professions.

Who can benefit from the rehabilitation tax credits?

- Anyone who owns a building listed on the State or National Register of Historic Places or whose building is a "contributor" to a registered historic district and... who is willing to follow the Secretary of the Interior's *Standards for Rehabilitation* during any rehabilitation, renovation, or redevelopment project.
- The entire community will benefit from properly maintained buildings and preservation of culture and history.

Federal Rehabilitation Tax Credit

This program exists but is only currently available for Commercial Buildings. Private Residences are not eligible for this program.

Kansas State Rehabilitation Tax Credits

- Buildings may be income producing or non-income producing. Private residences ***do*** qualify for the state tax credit.
- Buildings must be listed on the Kansas State or National Register of Historic Places, or be a "contributor" to a state or nationally listed historic district **before** you apply.
- All projects must be reviewed and approved **before** work begins. The state tax credit cannot be used retroactively.
- The state income tax credit is equal to 25% of qualified rehabilitation expenses
- **Certified 501(c)3 organizations that own and rehabilitate their eligible building receive credits equal to 30% of their qualifying expenses as of January 1, 2007.**

- Project expenses must exceed \$5,000.
- Insurance and grant monies use for the rehabilitation are not eligible to receive credits. Only the expenses paid by the property owner.
- There is no cap on project expenses nor is there a limit to the number of times you may apply and take the state tax credit.
- There is no time limit on a rehabilitation project. A project remains open until closed by the property owner.
- The credits are awarded for the tax year in which the rehabilitation project work is completed (Placed in Service Date).
- The credit may be carried forward for 10 years from the year the project is completed.
- The credits may now be transferred to other taxpayers at the property owner's request (please contact the SHPO to find out how).
- Tax credits will be distributed among multiple owners based on ownership percentage or as the property owners agree. If the owners are married and file jointly, the credits will not be divided.
- There is currently no recapture provision for the state tax credits.
- All work must meet the Secretary of the Interior's *Standards for Rehabilitation*. The State Historic Preservation Office reviews plans and specifications.

Eligible Rehabilitation Expenses

- Building components such as walls, partitions, floors, ceilings, doors, windows, stairs, chimneys, roofing, and fire escapes.
- Permanent coverings such as paneling, tile, and glued down carpeting.
- Building and mechanical systems such as electrical wiring, lighting fixtures, central air and heating, plumbing, fire suppression systems, escalators, and elevators.
- Engineering fees, architect fees, and reasonable developer fees.
- Construction management costs.

Please Contact our office, or check out our website for more information about the Tax Credit Programs and to find the applications.