

WHAT EXPENSES ARE ELIGIBLE OR INELIGIBLE FOR THE TAX CREDITS?

SOME ELIGIBLE EXPENSES INCLUDE:

- Walls, partitions, floors & ceilings
- Permanent coverings, such as paneling or tiles
- Windows and doors
- Components of air conditioning & heating systems
- Plumbing & plumbing fixtures
- Chimneys, stairs, escalators, elevators, sprinkler systems & fire escapes
- Other components related to the operation or maintenance of the building

SOME INELIGIBLE EXPENSES INCLUDE:

- Expenses related to the rehabilitation of the applicant's personal living space
- Appliances, cabinets, carpeting (if tacked in place and not glued)
- Decks that are not part of the original building
- Demolition costs (removal of a building on the property or site)
- New construction costs or enlargement costs (increase in total volume)
- Fencing, feasibility studies, financing fees, furniture, landscaping, leasing expenses
- Outdoor lighting remote from the building, parking lots, paving, planters
- Porches and porticos that are not part of the original building, retaining walls, sidewalks, signage, storm sewer construction costs, window treatments

Due to the complexity of this program we strongly recommend that prospective applicants consult with the Maine Historic Preservation Commission, as well as Maine Revenue Services and/or a tax professional prior to beginning work on rehabilitation projects to ensure that their projects will qualify for the program.

FOR MORE INFORMATION, PLEASE CONTACT:

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FOR QUESTIONS REGARDING ELIGIBLE EXPENDITURES OR TAX ISSUES RELATED TO THE CREDIT, PLEASE CONTACT:

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★★★★Please note that in some cases, State and Federal rehabilitation tax credits may be able to be used in conjunction with State and Federal grants!

THE HISTORIC REHABILITATION TAX CREDIT PROGRAM IN MAINE

IF YOU OWN A DEPRECIABLE BUILDING THAT IS INDIVIDUALLY LISTED IN, OR ELIGIBLE TO BE LISTED IN, THE NATIONAL REGISTER OF HISTORIC PLACES, OR THAT IS WITHIN A NATIONAL REGISTER LISTED, ELIGIBLE OR LOCALLY CERTIFIED HISTORIC DISTRICT, YOU MAY BE ABLE TO TAKE ADVANTAGE OF FEDERAL AND/OR STATE TAX CREDITS FOR YOUR BUILDING REHABILITATION EXPENDITURES

THE FEDERAL HISTORIC REHABILITATION TAX CREDIT

- **The Federal tax credit is equal to 20% of certified rehabilitation expenses** for a certified historic income-producing property.
- The Federal credit is a credit for taxes owed to United States, is not refundable, and must be fully claimed in the year the property is placed into service. There is no cap on the Federal credit.
- In order to qualify for the Federal credit, a property must be “**substantially rehabilitated**”, meaning the rehabilitation costs must exceed the adjusted basis (pre-rehabilitation cost) of the building. The rehabilitation costs must be incurred within a two year period, or within a five year period if the project is to be completed in multiple phases.

Additional information regarding the National Register of Historic Places, the Secretary of the Interior’s *Standards for Rehabilitation*, the Federal Historic Preservation Tax Incentive Program, and the Federal Historic Preservation Certification Applications and Instructions can be requested from the Maine Historic Preservation Commission, or can be found at the **National Park Service Website**:
<http://www.nps.gov/history/hps/tps/tax/>

The rules for Maine’s Historic Rehabilitation Tax Credits, as well as Maine’s Small Project Rehabilitation Certification Application, and the State Rehabilitation Tax Credit Reporting Form can be accessed at the **Maine Historic Preservation Commission** website:
http://www.maine.gov/mhpc/tax_incentives/index.html

MAINE’S STATE HISTORIC REHABILITATION TAX CREDIT

- There are **two aspects** to Maine’s tax credit:
 - 1) The ***Substantial Rehabilitation Credit*** is a “piggyback” onto the 20% Federal tax credit. **Any project utilizing this credit must meet all of the requirements of the Federal tax credit program.**
 - 2) The ***Small Project Rehabilitation Credit*** is for projects with **qualified rehabilitation expenditures of between \$50,000 and \$250,000**. Projects utilizing this credit do not need to be eligible for the Federal credit, **but the same review criteria will apply.**
- **Both aspects of the State credit are equal to 25% of certified rehabilitation expenses** for a certified historic income-producing property in Maine. Qualified rehabilitation expenses must be incurred within a two year period, or within a five year period if the project is to be completed in multiple phases. **Rehabilitation expenses incurred between January 1, 2008 and December 31, 2023 are eligible for the credit.**
- The State credit is a credit for taxes owed to the State of Maine, **is fully refundable if the credit exceeds taxes owed, and must be claimed over a period of four years** (25% per year from the taxable year the property is placed in service). There is a cap on the State credit of \$5 million per project.
- The State credit is increased to **30% or more** if the rehabilitation project results in the creation of a certain amount of **affordable housing**.

BASIC ELIGIBILITY REQUIREMENTS FOR REHABILITATION TAX CREDITS

MAINE’S SUBSTANTIAL REHABILITATION CREDIT USED WITH THE FEDERAL REHABILITATION TAX CREDIT

- 1) The property **must be used for income producing purposes for 5 years** after the completed rehabilitation;
- 2) In general, the property must be listed in, or eligible for listing in the **National Register of Historic Places**;
- 3) The rehabilitation project must be completed in accordance with the **Secretary of the Interior’s *Standards for Rehabilitation***;
- 4) **The project must meet the “substantial rehabilitation” test.**

MAINE’S SMALL PROJECT REHABILITATION TAX CREDIT (CANNOT BE USED WITH THE FEDERAL REHABILITATION TAX CREDIT)

- 1) The property **must be used for income producing purposes for 5 years** after the completed rehabilitation;
- 2) In general, the property must be listed in, or eligible for listing in the **National Register of Historic Places**;
- 3) The rehabilitation project must be completed in accordance with the **Secretary of the Interior’s *Standards for Rehabilitation***;
- 4) **Qualified rehabilitation expenses must be between \$50,000 and \$250,000 within either a 2 or 5 year period.**