Maine Preservation

Historic Tax Credits Pre-Assessment Form: Eligibility & Feasibility

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1. **Certified Historic Structure Test:** National Register Designation: _____Listed _____Date Listed ____ Eligible _____ Not Listed _____ Ineligible

2. **Project Business Structure:** ______For-Profit, S Corp; LLC or other? ______Not-for-Profit (Note: If a Limited Partnership Corp offering is to be created, Project Owner should first review the IRS's At-Risk Rules, Passive Loss Rules and the ALT requirements before proceeding). If the project developer will be a governmental or other tax-exempt entity, **the party must utilize a "qualified lease" approach**, otherwise the 20% federal historic tax credits are disallowed for use of **"dis-qualified lease."**

3. **Commercial Property Test:** The project must be defined as a depreciable (income-producing) property.

4. **Qualified Rehabilitation Expenditures (QREs)** https://www.nps.gov/tps/tax-incentives/before-apply/qualified-expenses.htm should be estimated in preliminary cost planning to ensure that QREs will comfortably exceed the adjusted basis, in order to meet the Substantial Rehabilitation Test.

5. **Adjusted Basis Calculation :** (Defined as the purchase price of the building, minus the land value, plus improvements already completed, minus depreciation already taken)

6. **Substantial Rehabilitation Test**: Allowable rehabilitation costs (QREs) must exceed the Adjusted Basis or $5000, whichever is greater.

7. **Architectural Standards:** To qualify for the 20% federal historic tax credit ("Certified Rehabilitation"), construction must conform with the US Department of Interior's "***Secretary of the Interior's Standards for the Treatment of Historic Properties"*** (Rehabilitation)

8. **Phased Project Option:** Project is normally required to be completed within 24 months within which the developer should plan to capture all of the allowable project expenses – or alternatively – a 60-month Phased Option may be elected. However, all phases must be clearly set forth in plans and drawings **when the HPCA Part 2 Application is initially filed – not later on.**

9. **Recapture:** The Project's Owner of Record shall understand that it must retain ownership of the property for a minimum of 5 years, following project completion (Defined as the issuance of the Certificate of Occupancy), in order to avoid re-capture of the tax credit (pro-rated at the rate of 20% per year of the 5-year period)

10. **Option: Low-Income Housing Tax Credit (LIHTC)** The federal historic tax credit (20%) may be married with the LIHTC (9% or 4% for 15 year amortization period) – but with offsetting tax credit benefits – but which will still yield a minimum net tax credit of 24%

Claiming the Credit: Use IRS Form 3468 for the tax year in which the Certified Rehabilitation building is placed in service. The full 20% credit is taken by the applicant in that single tax year. If the credit cannot be consumed in its entirety in that year, the residual credit value may be carried back 1 year, or forward 20 years.