

What is the Historic Tax Credit?

The historic tax credit (HTC), also known as the Rehabilitation Investment Tax Credit (RITC), is a federal tax incentive designed to encourage private investment in the re-use and rehabilitation of historic properties.

The HTC program allows the owners of income-producing properties to take a dollar-for-dollar tax credit on federal income tax for eligible planning and construction costs related to the rehabilitation of a historic property.

Who manages the Historic Tax Credit program?

The PA SHPO administers the historic tax credit program in partnership with the National Park Service (NPS) and the Internal Revenue Service (IRS).

How much is the tax credit?

A 20% tax credit is available for certified historic properties.

What are the eligibility requirements for the 20% credit?

To be eligible for the 20% tax credit, the building(s):

- Must be used for income-producing purposes,
- Must be a certified historic property, meaning it is individually listed in the National Register of Historic Places, contributes to a National Register Historic District, or contributes to a Certified Local District,
- Must be owned by the same owner and be an income-producing property for five years,
- Rehabilitation work must follow the Secretary of the Interior's *Standards for Rehabilitation*,
- Project must meet the "substantial rehabilitation test" during a 24-month period selected by the taxpayer.

How do I apply for the Historic Tax Credit?

Property owners need to complete a three-part application process before taking the tax credit on their federal income tax forms. The PA SHPO and the National Park Service (NPS) sequentially review the proposed project before construction is started and once again after it has been completed. A Part 1 application must be submitted before the project is complete and the property is placed in service.

The SHPO provides ongoing technical assistance throughout the application process and encourages early communication with our office.



A.F. Bernot Building, Philadelphia, before (above) and after (below) rehabilitation.



For more information, please visit the PHMC website at
www.phmc.pa.gov/preservation/grants-funding
or contact Scott Doyle at
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What is the 3-part process?

The historic tax credit application is broken down into three separate forms – Part 1, Part 2, and Part 3 – each with different purposes and submitted at different times.

Part 1 – Evaluation of Significance

The Part 1 documents the building as a certified historic structure. Buildings that are individually listed in the National Register are automatically designated as "certified historic structures" and a Part 1 application is not required (unless the listed property has more than one building). If a building is located within a National Register Historic District, a Part 1 application must be submitted to determine if the property contributes to the historic district. This application can be filed before, or with, the Part 2 application.

Part 2 – Description of Rehabilitation

The Part 2 provides a written description of the building's current condition and explains the necessary rehabilitation work needed for its new use. The PA SHPO and NPS review this application according to the Secretary of the Interior's *Standards for Rehabilitation* to evaluate the nature of the proposed work and how it might impact the building's historic fabric and character. Applicants must also provide color photographs to show the existing conditions and drawings to show the existing floors plans and exterior elevations and the proposed rehabilitation work, including any new additions or new construction.

The Part 2 should be filed *at least* 90 days before the anticipated start of construction to allow for PA SHPO and NPS review and any changes needed to the scope of work.

Part 3 – Request for Certification of Completed Work

The Part 3 documents the completed work through color photographs and provides basic financial data for the cost of the rehabilitation. This application serves as the official record for the IRS that the rehabilitation is "certified," meaning it has been completed and has met the eligibility requirements.

Please note:

Public Law No. 115-97 (December 22, 2017) amended the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. Section 13402 of this law relates to the historic tax credit program and included modifications to the 20% Historic Rehabilitation Tax Credit and a repeal of the 10% tax credit for the rehabilitation of non-historic buildings. These and other changes to the Internal Revenue Code may affect a taxpayers ability to use the 20% credit.

As with any tax law, there are restrictions that may affect a property owner's ability to make use of these tax benefits. Applications requesting historic preservation certifications by the National Park Service and those interested in the use of the credits are strongly advised to consult an accountant, tax attorney, legal counsel, or the Internal Revenue Service about this program and the changes related to Public Law 115-97.

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