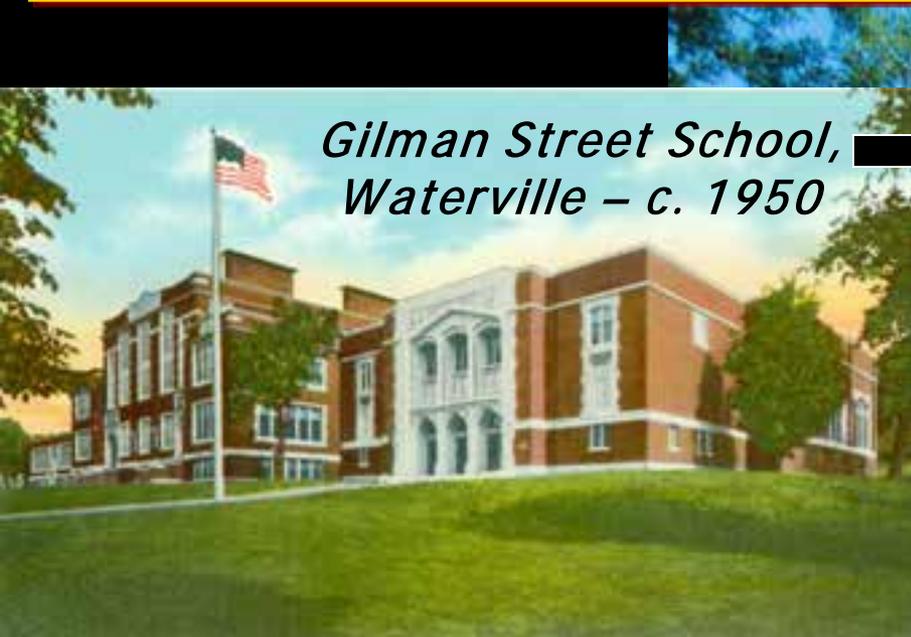


Maine's Historic Preservation Tax Incentive Program



*Gilman Street School,
Waterville – c. 1950*



2008



2011



Mike Johnson
Rehabilitation Tax Incentives Coordinator
Maine Historic Preservation Commission

What are the tax incentives?

State Historic Preservation Tax Incentives:

- ∅ A credit on taxes owed to the State of Maine
- ∅ The credit may be claimed for 25% of certified qualified rehabilitation expenditures (CQREs) incurred between January 1, 2008 and December 31, 2023
- ∅ \$100,000 in CQREs = \$25,000 in State credits
- ∅ These credits are fully refundable and must be claimed over a 4-year period (25% per year for 4 years, beginning when building is placed in service)
- ∅ \$5,000,000 per project cap

Federal Historic Preservation Tax Incentives:

- ∅ A credit on taxes owed to the IRS
- ∅ The credit may be claimed for 20% of qualified rehabilitation expenditures (QREs)
- ∅ The rehabilitation must meet the **substantial rehab test**, meaning the investment must be greater than or equal to the building's **adjusted basis**
- ∅ \$100,000 in QREs = \$20,000 in Federal credit
- ∅ Credit is not refundable and must be claimed in the year the building is placed into service
- ∅ No cap

Maine's State Incentives Include Two Types of Credits

The **Substantial Rehabilitation Credit** is a "piggyback" onto the Federal Historic Preservation Tax Incentive – a rehabilitation that is certified by the National Park Service for the Federal credit is considered certified for purposes of Maine's Substantial Rehabilitation Tax Credit. This credit can only be taken if the project is eligible for the Federal credit.

The **Small Project Rehabilitation Credit** is only for rehabilitation projects with certified qualified rehabilitation expenditures between \$50,000 and \$250,000. The substantial rehabilitation threshold required by the Federal credit does not need to be met.

AFFORDABLE HOUSING: The State credits are increased to 30% if the project is designated an affordable housing project by the Maine State Housing Authority

If a project qualifies for the Federal Tax Credits, it is automatically qualified for the MAINE SUBSTANTIAL REHAB CREDIT

NOTE: Numbers below are simplified

%20 Federal Historic Rehab Credit
and

%25 Maine Substantial Historic Rehab Credit
=

%45 Tax Credit on Qualified Rehab Expenses
+

%5 if also an Affordable Housing Project
=

%50 Total Tax Credit on Qualified Rehab Expenses



*North
Berwick
Woolen Mill
Certified
2009*



What expenses are eligible and what expenses are ineligible to receive credit for which the 20% tax credit can be claimed in a rehabilitation project?

Some **eligible** items include:

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



***Mitchell Double House,
Park Row,
Brunswick***



Some **ineligible** items include:

- Appliances, Cabinets, Carpeting (if tacked in place and not glued)
- Decks (not part of original building)
- Demolition costs (removal of a building on property site)
- New construction costs or enlargement costs (increase in total volume)
- Fencing, feasibility studies, financing fees, furniture, landscaping, leasing expenses
- Outdoor lighting remote from building, Parking lot, Paving, Planters
- Porches and porticos (not part of original building), Retaining walls, Sidewalks, Signage, Storm sewer construction costs, Window treatments

Administration of Federal Historic Preservation Tax Incentives Program (including the State Substantial Rehabilitation Credit)



*Baxter Library, Portland
Certified 2010*





*Shepherd Block, Rockport
Certified 2011*

Administration of Maine's Small Project Rehabilitation Credit

**Maine
Revenue
Services**

**State Historic
Preservation Office
AKA
Maine Historic
Preservation
Commission**

Basic eligibility requirements for State & Federal incentives

1. The building must be listed in the National Register of Historic Places.
2. The building must be used for an income-producing purpose for at least five years after completion of the certified rehabilitation.
3. The project must meet the IRS *substantial rehabilitation test*
-OR-
it must incur certified qualified rehabilitation expenditures of between \$50,000 and \$250,000.
4. The entire rehabilitation project must be done in accordance with either the Commission's or the NPS's interpretation of the *Secretary of the Interior's Standards for Rehabilitation*.



***The Mill at Saco Falls (Laconia Mill), Biddeford
Certified 2010***

Standards and the tax credit

- Q. What are the Secretary of the Interior's *Standards for Rehabilitation* that are used to evaluate projects that apply for the 20% tax credit?
- A. The ten Secretary of the Interior's *Standards for Rehabilitation* provide guidance for the rehabilitation of historic buildings. These Standards do not require restoration, but allow some alteration that may be necessary in order for the historic building to provide an efficient contemporary use. However, the rehabilitation project must not damage, destroy, or cover those exterior or interior materials or features that define the building's historic character. **To be eligible to receive the tax credits the rehabilitation project must be consistent with the historic character of the property and it must meet ALL ten Standards.**



***Squire Perley Building, Hallowell
Certified Rehabilitation 2010***

State and Federal Certification Applications

- ✓ **Part 1** – Evaluation of Significance
- ✓ **Part 2** – Documentation of Existing Conditions and Description of Rehabilitation Work

Note: Parts 1 & 2 may be submitted concurrently

- ✓ **Part 3** - Request for Certification of Completed Work



***Chestnut Street Church, Portland
Certified Rehabilitation 2009***





The Application Process

Maine Substantial Historic Rehabilitation Tax Credit Application

PART 1

Two copies of Part 1 (Evaluation of Significance) of the Federal Historic Preservation Certification Application submitted to the SHPO by applicant:

SHPO reviews within 30 days and forwards comments with one copy of Part 1 to the National Park Service reviewer;

NPS completes review within 30 days of receipt of Part 1 and comments from SHPO and returns written determination to owner, which will state whether or not the building is a "certified historic structure".

NOTE: Part 1 of the application is NOT required for buildings that are already individually listed in the National Register of Historic Places

The Application Process (cont.)

Maine Substantial Historic Rehabilitation Tax Credit Application

PART 2

Two copies of Part 2 (Description of Rehabilitation) of the Federal Historic Preservation Certification Application *and* one copy of Part A the Maine State Rehabilitation Tax Credit Reporting Form submitted to the SHPO by applicant:

SHPO reviews within 30 days and forwards comments with one copy of Part 2 to the National Park Service reviewer;

NPS completes review within 30 days of receipt of Part 2 and comments from SHPO and returns written determination to owner, which will state whether or not the described project meets the Secretary of the Interior's Standards for Rehabilitation.

NOTE: Construction specifications, project plans, measured drawings and elevations, and other information may be required as part of the Part 2 application.

The Application Process (cont.)

Maine Substantial Historic Rehabilitation Tax Credit Application

PART 3

Two copies of Part 3 (Description of Rehabilitation) of the Federal Historic Preservation Certification Application *and* one copy of Part B of the Maine State Rehabilitation Tax Credit Reporting Form submitted to the SHPO by applicant:

SHPO reviews within 30 days and forwards comments with one copy of Part 3 to the National Park Service reviewer;

NPS completes review within 30 days of receipt of Part 3 and comments from SHPO and returns written determination to owner, which will state whether or not the completed project meets the Secretary of the Interior's Standards for Rehabilitation, and therefore qualifies as "certified rehabilitation".

Historic Preservation Tax Incentive Activity in Maine since January 1, 2008

Projects with Approved Historic Preservation Certification Applications (Parts 1, 2, or 3)	94
Certified Projects	61
Total Certified Rehabilitation Expenses (eligible for state and federal historic preservation tax credits)	Approximately \$182 million as of 2/27/15
Total New Construction Expenses (ineligible for state and federal historic preservation tax credits)	Approximately \$56 million as of 2/27/15
Construction jobs supported by rehabilitation projects	Approximately 4,000
Number of people employed in rehabilitated buildings	Approximately 960
Average increase in assessed value of a building that is rehabbed using the historic preservation tax credits (50 reporting projects)	Approximately \$1,850,000



Seven Steps to Ensure Successful Certification of Historic Rehabilitation Projects

1. Make sure you can use the credits! *It is recommended that prospective applicants consult with Maine Revenue Services and a tax professional.*
2. Pick a building that is appropriate for the proposed use.
3. Hire design professionals and contractors who have experience with historic rehabilitation projects (lists are available from the Commission).
Expenditures related to these services are eligible for the credits.
4. Pre-construction planning is essential for ensuring a project will come in on time and on budget.
5. Carefully read & follow the instructions when completing the Historic Preservation Certification Application!
6. **DO NOT START CONSTRUCTION OR PURCHASE MATERIALS WITHOUT AN APPROVED PART 2.**
7. Do not change any approved Part 2 work without an approved NPS Amendment.

Maine Historic Preservation Tax Incentives

For more information regarding either the Federal or State rehabilitation tax credits contact:

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Maine Historic Preservation Commission

207-287-2949

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For more information regarding fiscal and tax aspects of the State credit contact:

Richard Truman

Maine Revenue Services

207-624-9547

Richard.E.Truman@maine.gov



*449 Main St., Rockland
Certified 2011*

