

HISTORIC PRESERVATION TAX CREDITS

Owning a historic property in Wisconsin carries with it several benefits. One of these is the ability to participate in federal and state income tax incentives programs for rehabilitation of historic properties. Currently, there are three programs available to owners of properties that are listed in the national or state registers of historic places, or that may be eligible for listing in the national register. These programs are:

1. **Federal 20% Historic Rehabilitation Credit.** A 20 percent federal investment tax credit (ITC) for rehabilitation of income producing historic buildings.
2. **Wisconsin 5% Supplement to Federal Historic Rehabilitation Credit.** An additional 5 percent Wisconsin investment tax credit (ITC) for persons who qualify for the 20 percent tax credit, and who begin actual rehabilitation work after January 1, 1989.
3. **Wisconsin 25% Historic Rehabilitation Credit.** A 25percent Wisconsin investment tax credit (ITC) for persons who rehabilitate historic non-income producing, personal residences, and apply for and receive project approval before beginning physical work on their projects.

The rules for applying for these programs vary. Furthermore, they are subject to change. A complete recitation of the rules governing these programs is beyond the scope of this summary. If you own or plan to own a historic property, we at the Division of Historic Preservation will be happy to assist you in participation in the programs.

Although the rules vary between these programs, there are similarities. To qualify for any of these tax credits, you must:

- *Own a historic property.* Generally, the property must be listed in the State or National Registers. Non-registered properties may qualify for the federal 20% credit if they are determined to be eligible for listing in the National Register. To qualify for the federal tax credit, the property must be a building.
- *Spend a specified minimum amount of money on the rehabilitation work.* For purposes of the federal 20% ITC and the Wisconsin 5% FTC, you must spend at least as much money as the “adjusted basis” of the property. The 25% Wisconsin ITC requires that you spend at least \$10,000 on eligible work.
- *Carry out work in accordance with program standards.* All projects must comply with the Secretary of the Interior’s Standards for Rehabilitation.
- *Formally apply and obtain approval to receive the credits.* All applications must be made to the Division of Historic Preservation (DHP). Required forms and instruction can be obtained from the DHP.

It must be pointed out here that the historic preservation tax incentives are not for everyone. In determining whether to participate in any of these programs, you may want to consult the list that follows, which lists the obligations for the various tax incentives programs.

Federal 20% Investment Tax Credit

- To qualify, your building must be used in the production of income, either residential or non-residential income.
- Your property must be listed in the National Register, contribute to the National Register district, or be determined eligible for listing in the National Register through the application process.

- You must spend at least as much money on the rehabilitation project (not including the value of non-depreciable items, such as landscaping and additions) as the “adjusted basis” of the building-or \$5000, *whichever is greater*. The adjusted basis is the building’s depreciated value.
- All rehabilitation work that you carry out on the interior and exterior of the building qualifies for the credit.
- If you sell the property within five years of claiming the credit, you must pay back a pro-rated portion of the credit to the Internal Revenue Service. During that five-year period you must receive SHPO approval for any proposed work that may affect your property’s historical integrity.
- No maximum credit limit exists.
- The National Park Service, who approves all work, administers this program. Application is made through the Division of Historic Preservation, State Historical Society.
- The National Park Service is required to charge a fee for its project review. This fee varies, depending on the costs being claimed, with a maximum fee of \$2,500.

Wisconsin 5% Supplement to Federal Historic Rehabilitation Credit

If you qualify to receive the federal 20% ITC, you will automatically receive the Wisconsin 5% ITC *if you apply for and receive NPS approval of your project before beginning physical work*. If you begin work before your project is approved, you will not be able to claim the Wisconsin 5% ITC.

Wisconsin 25% Historic Rehabilitation Credit

The Wisconsin 25% ITC is available to owner-occupants of non-income producing properties listed in the National or State Registers. Although this program parallels that of the federal ITC, there are several important differences:

- To qualify, your building must be used as your personal residence and not used for the production of income.
- Your property must be listed in the State Register or National Register, or be determined to contribute to a State or National historic district. You may not apply for the credit until your property is listed. Once it is listed, you may not claim expenses for work that was carried out before listing.
- The minimum amount of money that you must spend on an eligible project word is \$10,000.
- Eligible activities under this program are limited to exterior work and rehabilitation of structural, electrical, mechanical, and plumbing systems. Interior remodeling and decoration does not qualify.
- If you sell the property within five years of claiming the credit, you must pay back the credit to the Wisconsin Department of Revenue. During the five-year period, you must receive SHPO approval for any proposed work that may affect your property’s historical integrity.
- The maximum tax credit that may be claimed is \$10,000 or \$5,000 for married persons filing separately.
- The Division of Historic Preservation, State Historical Society, administers this program.
- There is no review fee for participation in the Wisconsin Credit Program.