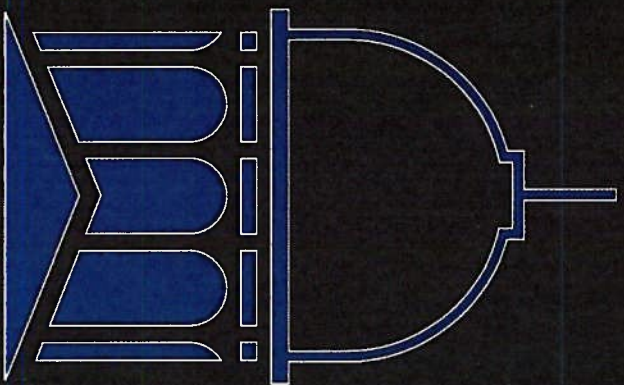


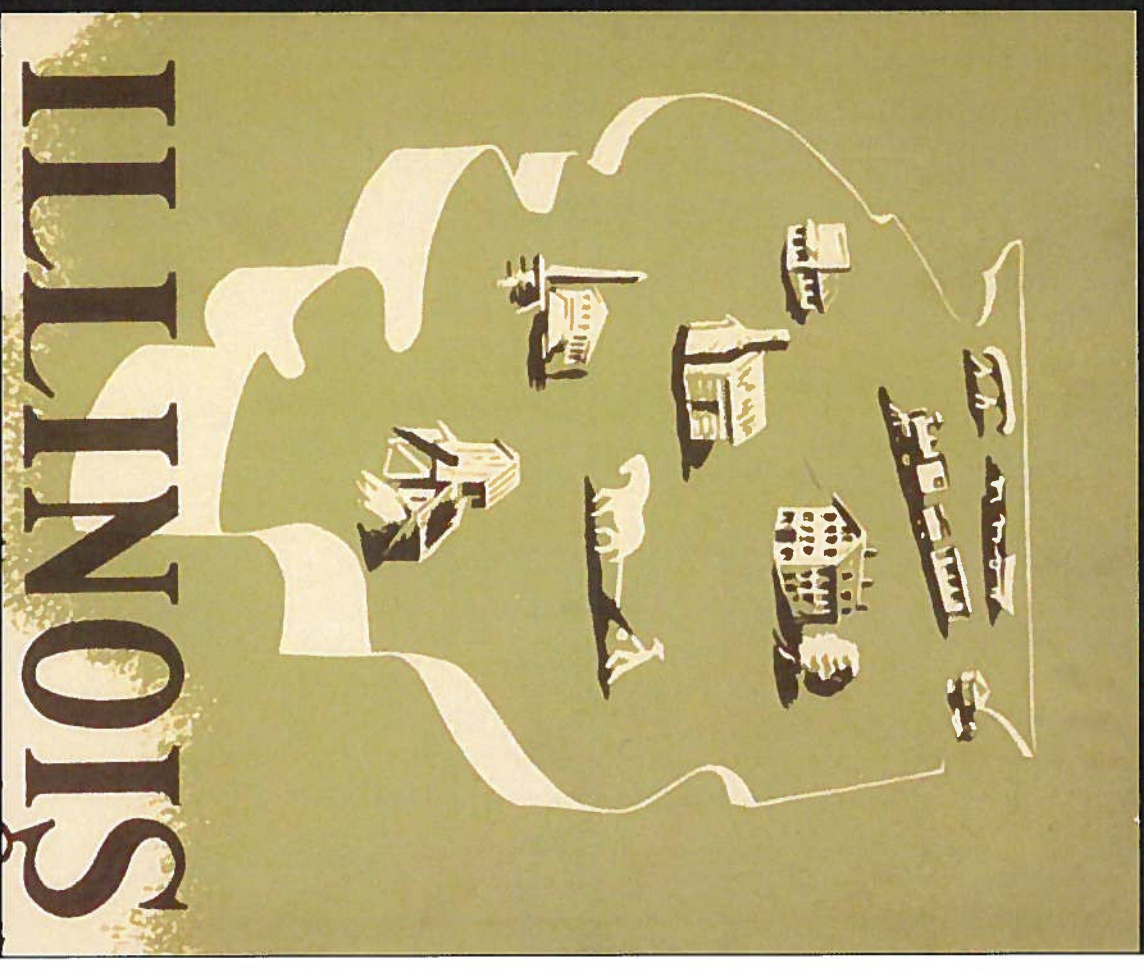
tax incentives for historic buildings



anthony rubano
illinois historic
preservation agency

illinois historic preservation agency

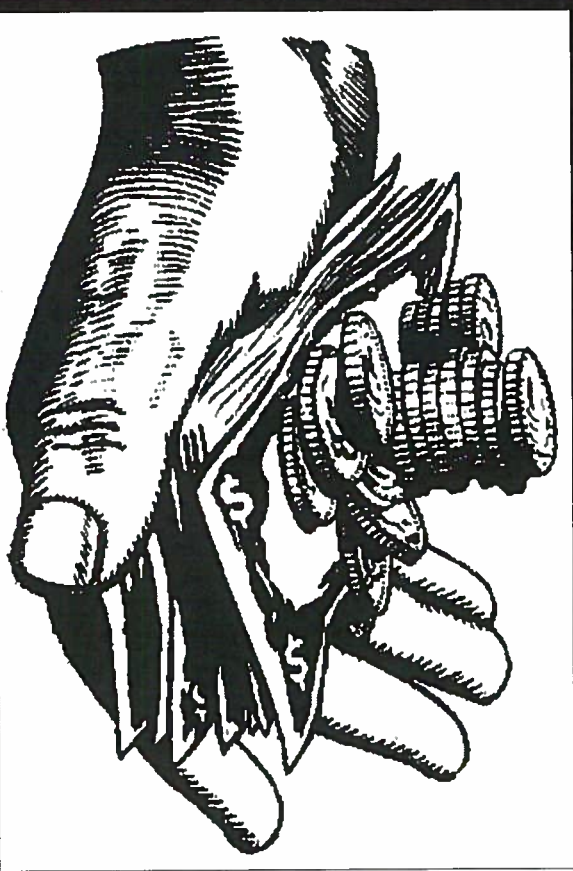
- historic sites
- presidential museum
- preservation services
 - federal & state programs



“i have an old building.
i hear there’s money.”
nope.

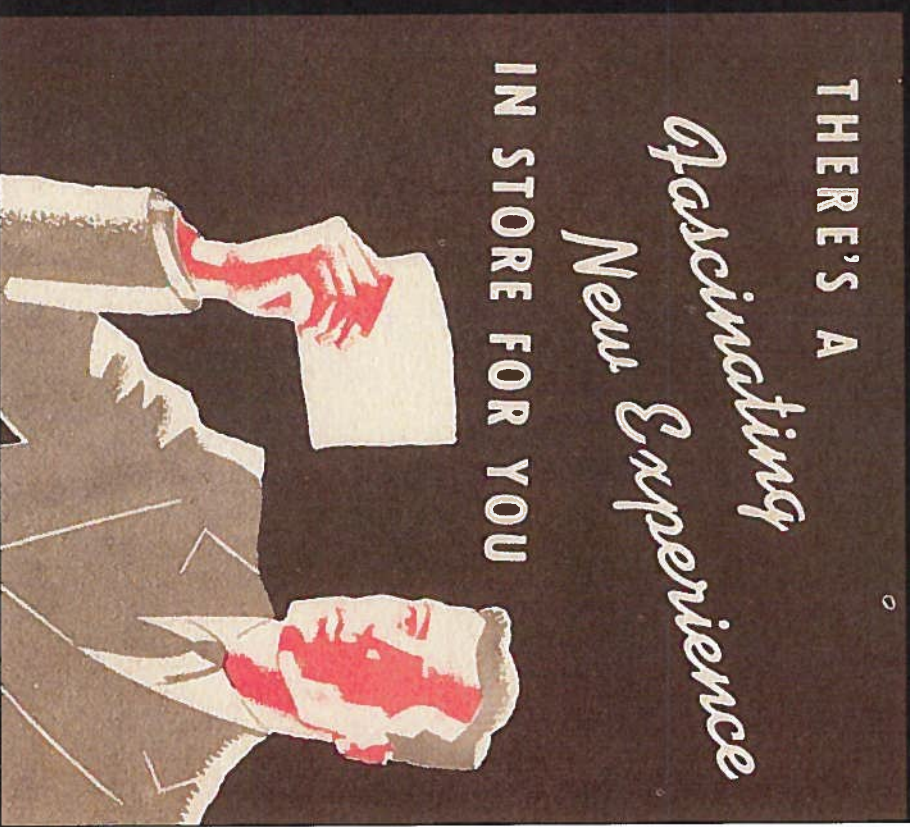
grants are typically for buildings that are:

- publically owned
- publically accessible
- geared to a specific building type or occupancy



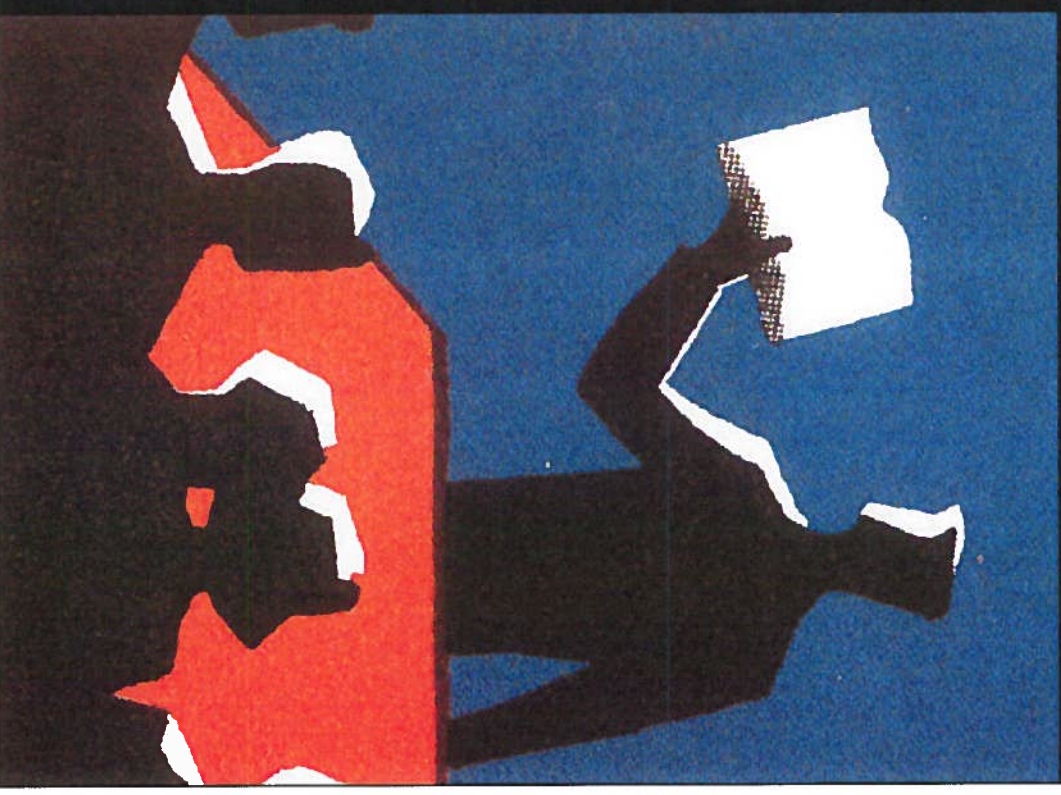
tax incentives are more achievable than grants

- federal income tax credits
- state property tax assessment freeze
- state tax credit
- easements



agenda

- federal income tax credits
 - 10% non-historic
 - 50% disabled access
 - 20% historic
- state property tax assessment freeze
- applying for 20% and assessment freeze
- 25% state tax credit
- easements
- standards for rehabilitation
- 4 top tips



federal income tax credits
10% rehabilitation tax credit
benefit

the owner's federal income taxes are
reduced by 10% of the building's
rehab cost.

\$500,000 rehab = \$50,000 credit

federal income tax credits

10% rehabilitation tax credit

- administered only by irs (form 3468)
- for '*non-historic*' buildings
 - not listed on the national register and
 - built before 1936
- commercial use (residential not eligible)
- must be "substantial" rehab (same as 20%)
- eligible work same as the 20%
- no cost to apply

federal income tax credits

10% rehabilitation tax credit

- building must pass a physical retention test
 - 50% of exterior walls stay as exterior walls
 - 75% of exterior walls stay as exterior or interior walls
 - 75% of internal structure remains



federal income tax credits 10% rehabilitation tax credit



before



after

25 s central park plaza, jacksonville

**federal income tax credits
50% disabled access tax credit**

benefit

**federal income
taxes reduced by
50% of the cost to
make the building
accessible, up to
\$5,000 credit per
year**



federal income tax credits

50% disabled access tax credit

- administered only by irs (form 8826)
- for improving accessibility to existing buildings housing small businesses that have:
 - < \$1 million in gross receipts; or
 - < 30 full-time employees
- work must meet current ada standards
- may be claimed in multiple years if claimed expenses were made in current tax year
- only work necessary for accessibility may be claimed
- no cost to apply

federal income tax credits

50% disabled access tax credit

- must retain documentation of expenditures
- eligible expenses include ramps, restrooms, elevators, walks, and the redesign of entries



20% credit & assessment freeze similar requirements & applications

1. use
2. historic significance
3. project budget
4. scope of work



20% rehabilitation tax credit

benefit:

owner's federal income taxes are reduced by 20% of the rehab cost.

\$500,000 rehab = \$100,000 credit

20% rehabilitation tax credit

four requirements

1. use: “income-producing”
2. significance: “historic”
3. budget: \$ > “adjusted basis”
4. scope: meets “standards”

20% rehabilitation tax credit

1. use: “income-producing”

- rental residential
- office
- retail
- service
- industrial
- any combination thereof

chatterton place, springfield



20% rehabilitation tax credit

2. significance: “historic”

- individually listed
 - national register
- in historic district
 - national register
 - local districts
- certified by nps for the credit

motor row, chicago



20% rehabilitation tax credit

3. budget:

- spend > “adjusted basis” or \$5,000, whichever is greater

- within a sliding 24-month window, or

- within a sliding 60-month window if a phased project with up-front planning

adjusted basis \approx

(purchase price) – (land value) – (depreciation)

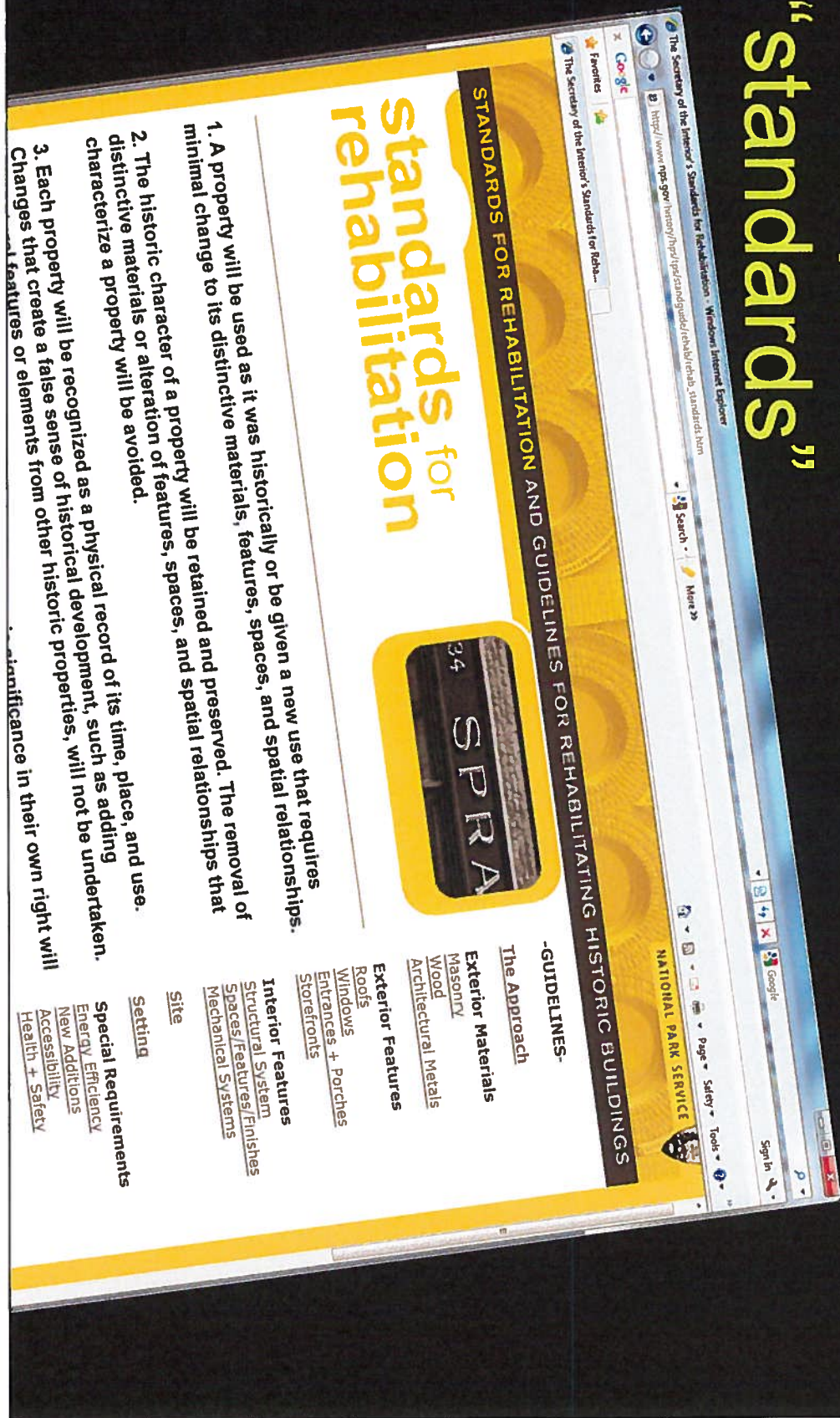
20% rehabilitation tax credit

3. budget:

- what counts
 - construction costs, even to later existing additions
 - depreciable soft costs
 - architecture and/or engineering fees, survey, legal
 - developer fees
- what doesn't count
 - acquisition
 - new additions
 - furnishings, landscape or site improvements

20% rehabilitation tax credit

4. scope: work must meet “standards”



20% rehabilitation tax credit



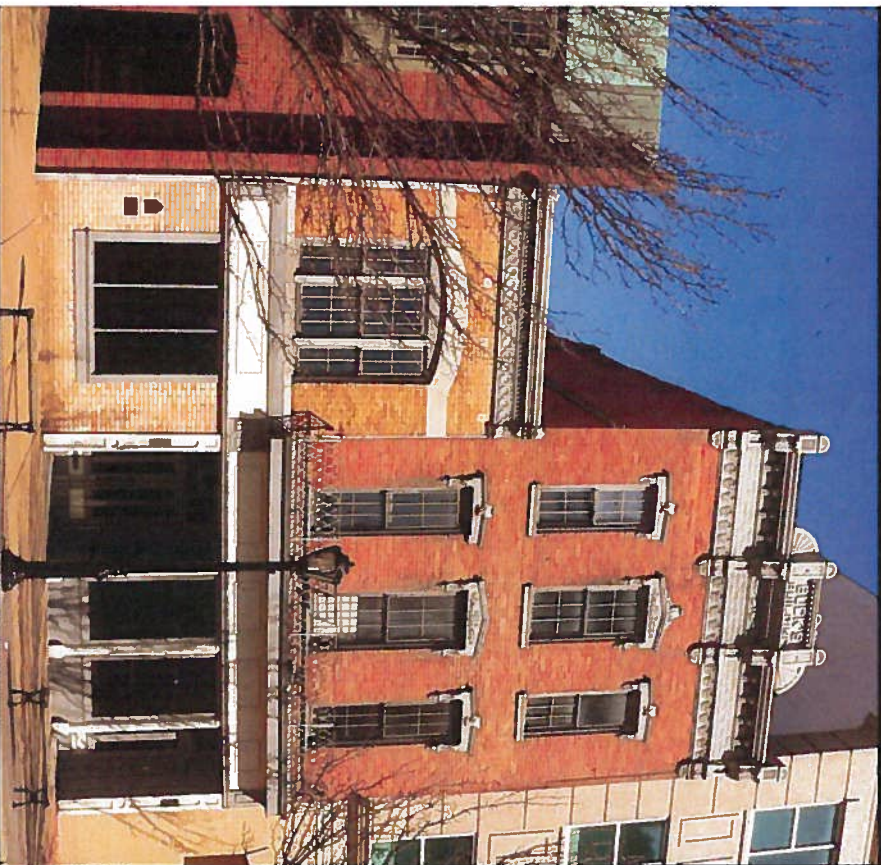
before



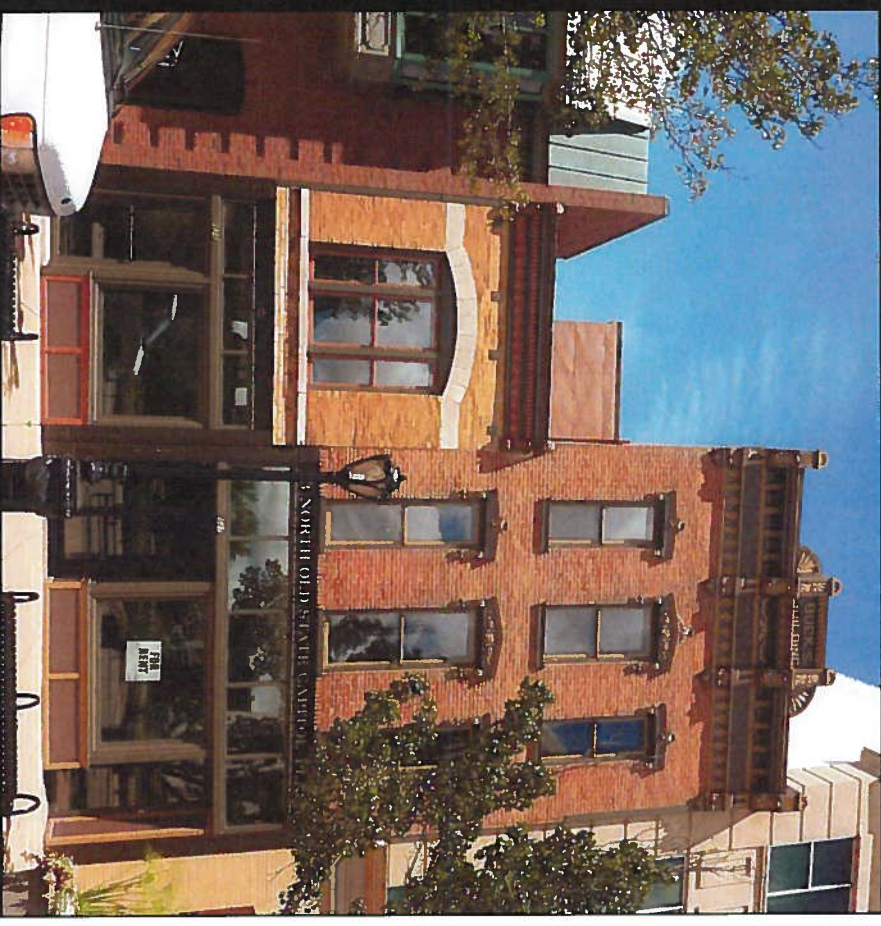
after

riverbank labs, geneva

20% rehabilitation tax credit



before



after

buck's building, springfield, ca. 1880

20% rehabilitation tax credit



before



after

it's chemistry research bldg, chicago, 1955

20% rehabilitation tax credit



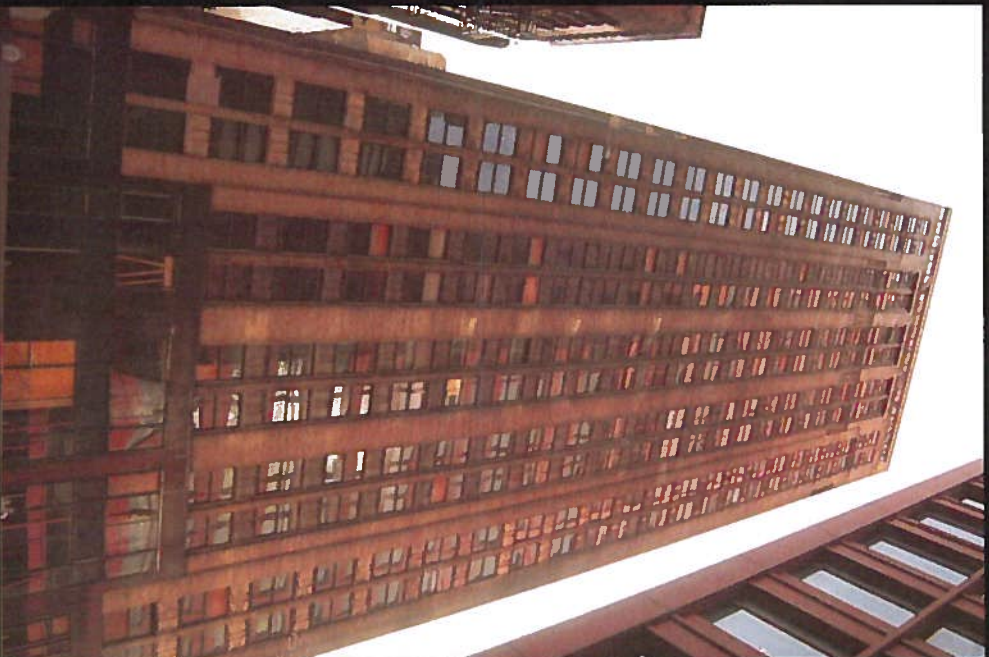
before



after

first state bank, winchester, ca. 1890

20% rehabilitation tax credit



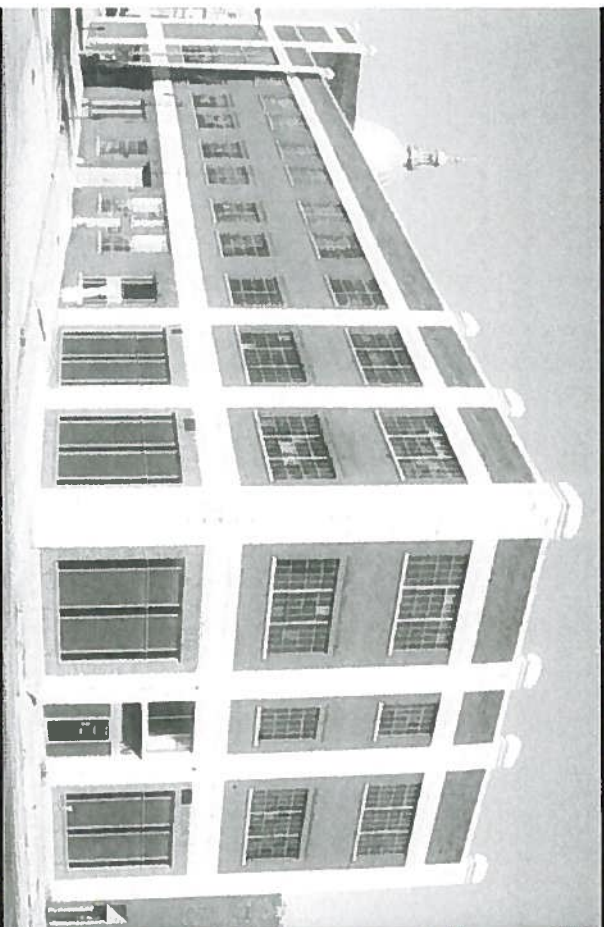
before



after

buckingham building, chicago, 1929

20% rehabilitation tax credit



before



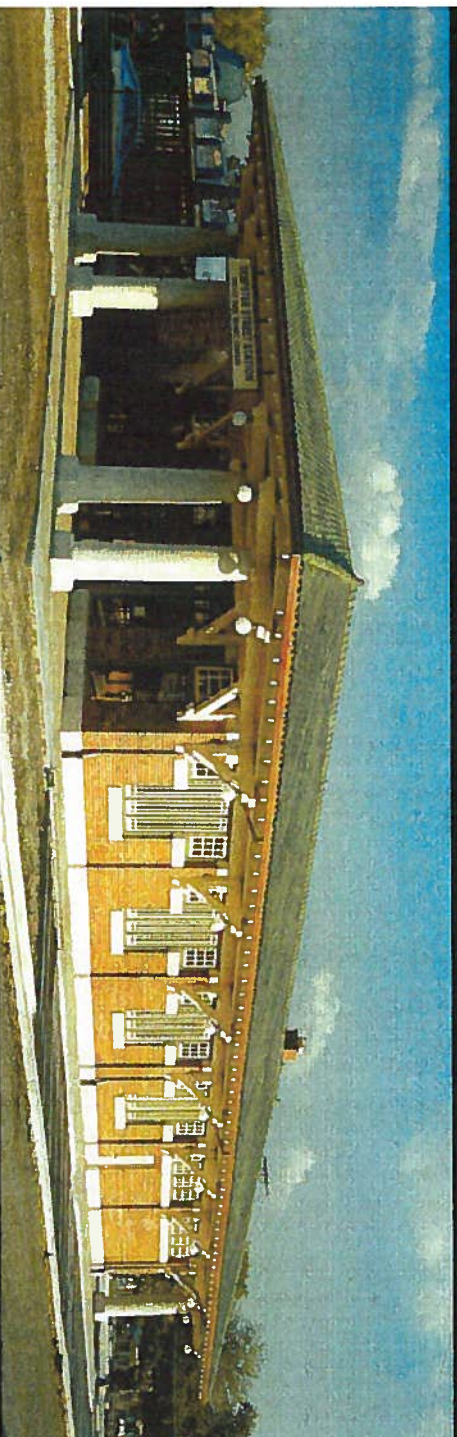
after

jennings ford dealership, springfield, 1919

20% rehabilitation tax credit



dempster
street
station,
skokie,
1925



state property tax assessment freeze
benefit

8 years + 4 years = 12 years
assessment assessment of reduced
frozen at pre- steps up in property
rehab level even taxes
increments

state property tax assessment freeze

4 requirements, similar to 20%

1. use: owner-occupied housing
2. significance: “historic”
3. budget: \$ > 25% “fair cash value”
4. scope: meets “standards”

state property tax assessment freeze

1. use: owner-occupied housing

single family



839 michigan,
evanston

up to 6-flat if 1 is
owner-occupied



6-flat,
hyde park

condos &
co-ops



the town house,
springfield

state property tax assessment freeze

2. significance: “historic”

- individually listed
 - national register
 - certain local
- historic district
 - national register
 - certain local

ancel house by edward
dart, 1961



state property tax assessment freeze

3. budget:

- spend > 25% of the assessor's "fair cash value" of the historic building
 - within a sliding 24-month window
 - can push 24 months into the past for a start date of 48 months ago

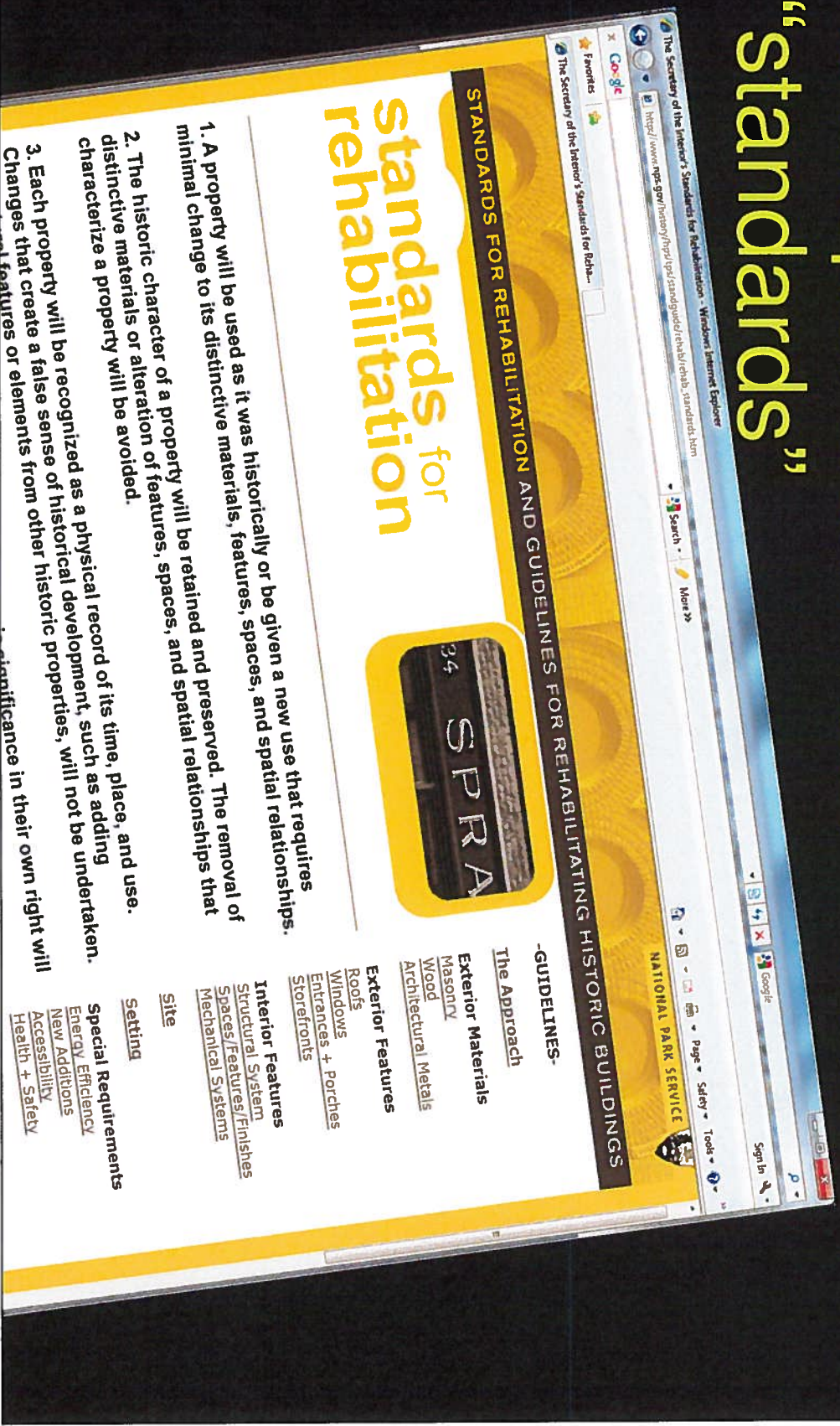
state property tax assessment freeze

3. budget:

- what counts
 - construction costs, even to later existing additions
 - depreciable soft costs
 - architecture and/or engineering fees, survey, legal
- what doesn't count
 - acquisition
 - furnishings
 - new additions
 - landscape or site improvements

state property tax assessment freeze

4. scope: work must meet “standards”



state property tax assessment freeze



before



after

1716 n. sedgwick, chicago, ca. 1880

state property tax assessment freeze



before



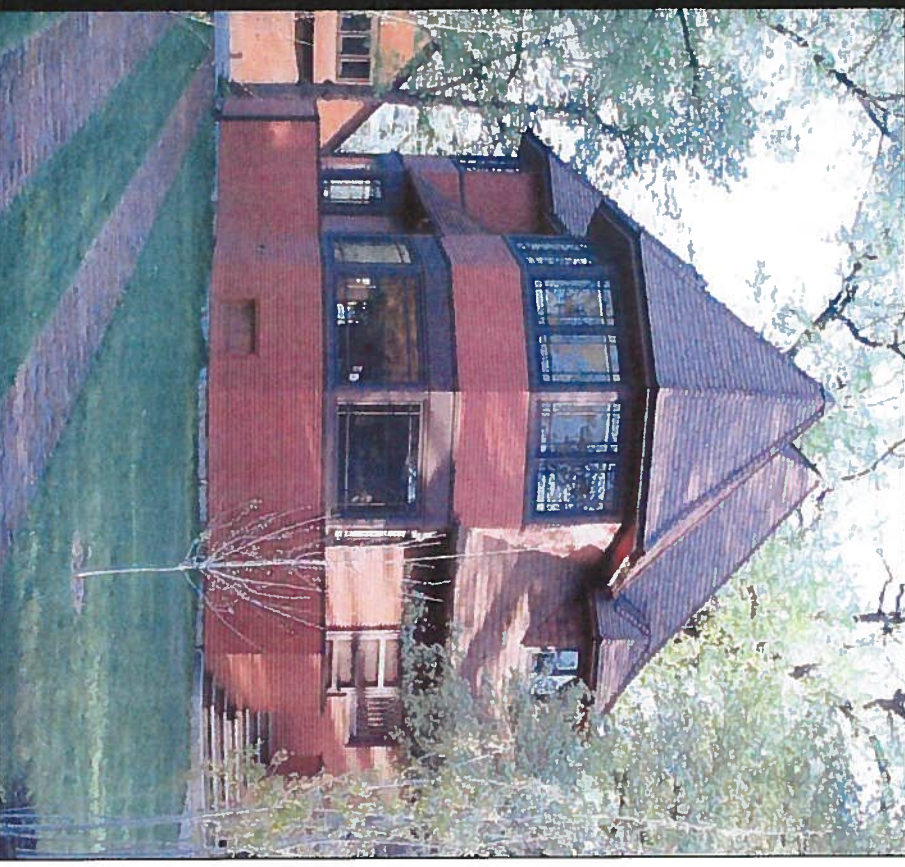
after

312 n. church, jacksonville, ca. 1910

state property tax assessment freeze



before



after

1019 chicago, oak park, 1892

state property tax assessment freeze



before



after

4623 s. ellis, chicago, ca. 1890

state property tax assessment freeze



before



after

137 s. humphrey, oak park, ca. 1910

state property tax assessment freeze



before



after

627 st. louis st., edwardsville, ca. 1870

20% credit & assessment freeze three parts

- download forms from:
www.illinoishistory.gov/PS/financial.htm
- part one: certifies it's "historic"
- part two: describes the project
- part three: "i'm finished!"


The image shows three overlapping forms from the Illinois Historic Preservation Agency. Each form features the agency's logo (a stylized dome) and the text: "Illinois Historic Preservation Agency Property Tax Assessment Freeze Certificate of Rehabilitation Application".

- Form 1 (PART 1):** "Historic Building Certification for Properties with". It includes fields for: 1. Name of property (Street, City, Zip), Name of local or National Register-historic district, and 2. Property owner.
- Form 2 (PART 2):** "Description of Rehabilitation Project". It includes a note: "For instructions, see the Guide to Completing the Certificate of Rehabilitation Project. Although not required, it is highly recommended that the Part 2 submitted and approved prior to construction beginning." It has fields for: 1. Name of property (Street, City, Zip) and 2. County.
- Form 3 (PART 3):** "Request for Approval of Completed Work". It has fields for: 1. Name of property (Street, City, Zip) and 2. Property owner (Mailing Address, City, State, Zip, E-mail).

20% credit & assessment freeze part one: statement of significance

- not required if individually listed
- short description, i.e.: brick, 2 story
- significance (like others in district)
- include photos




Illinois Historic Preservation Agency
Property Tax Assessment Freeze Program
Certificate of Rehabilitation Application
PART 1
Certificate for Properties within Historic Districts

Historic Building Certification for Properties within Historic Districts

1. Name of property: _____
Street _____ City _____ Zip _____
County _____

2. Property owner: _____
Daytime phone _____
Zip _____

Write a brief statement that describes how your home

per 310

20% credit & assessment freeze part two: description of project

- describes 'features' & proposed work
- “before” photographs
(2 sets for credit)
- plans (2 sets
for credit)

The image shows a tilted form titled "Illinois Historic Preservation Agency Property Tax Assessment Freeze Program PART 2 Certificate of Rehabilitation Application". The form includes a logo of a building with a dome and the following sections:

- Property name**
- 7. Detailed description of rehabilitation – Includes site work, new construction, alterations, etc.**
- Number** (with a blank line for input)
- Architectural feature** (with a blank line for input)
- Approx. date of feature** (with a blank line for input)
- Description of Rehabilitation Project**
- Property address**
- Describe existing feature and its condition:** (with a blank line for input)
- Describe work and impact on existing feature:** (with a blank line for input)
- Describe work and impact on existing feature:** (with a blank line for input)

Rev. 3/10

20% credit & assessment freeze part two: description of project



- “before” photos, showing the good and the not so good (2 sets for credit)

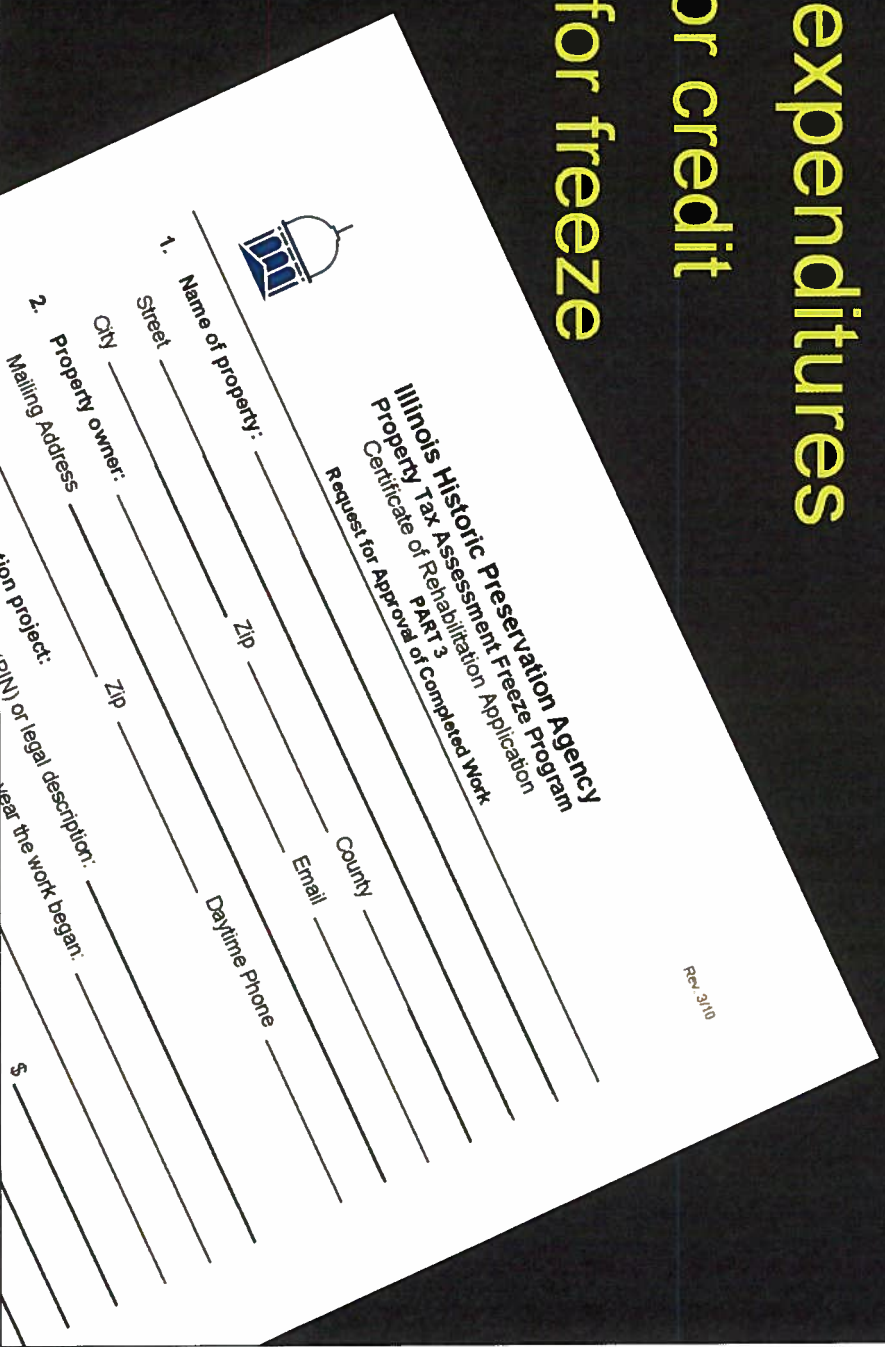
20% credit & assessment freeze part two: description of project

- architectural plans, if produced (2 sets for credit)
- possible site visit with ihpa architecture staff



20% credit & assessment freeze part three: completion

- “after” photographs (2 sets for credit)
- financial expenditures
- Retain for credit
- Submit for freeze



Illinois Historic Preservation Agency
Property Tax Assessment Freeze Program
Certificate of Rehabilitation Application
PART 3
Request for Approval of Completed Work

Revised 3/10

1. Name of property: _____
Street _____
City _____ Zip _____
County _____ Email _____
Daytime Phone _____

2. Property owner: _____
Mailing Address _____
City _____ Zip _____
Description of project: _____
Year the work began: _____
Cost of work: \$ _____

20% credit & assessment freeze part three: completion

- “after” photographs
- financial expenditures



before



after

davenport house by frank lloyd wright, 1901

25% state historic tax credit

- pilot program 2012 – 2017
- same rules as the 20% federal credit
- plus building must be located in a “river edge redevelopment zone” in aurora, east st. louis, elgin, peoria, or rockford
- dceo and ihpa administration

25% state historic tax credit

benefit:

owner's state income taxes are reduced by 25% of the rehab cost.

\$500,000 rehab = \$125,000 credit

25% state historic tax credit

four requirements

1. use: “income-producing”
2. significance: “historic”
3. budget: \$ > 50% of the purchase price when it last sold
4. scope: meets “standards”

25% state historic tax credit

- application piggy-backs with 20%
- part "a" goes with part 1
- part "b" goes with part 2
- part "c" goes with part 3

4-9-13-17

DCCEO

ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY &
THE ILLINOIS HISTORIC PRESERVATION TAX INCENTIVE AGENCY
**CERTIFICATION OF RIVER EDGE LOCATION
PART A**

Read all instructions carefully before completing the application. No certifications will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use continuation sheets attached to the back of this form. For both the State and the Federal Historic Tax Credit, the Secretary of the State Historic Preservation Agency (SHPO) must be approved prior to the beginning of construction. The PART 1 (Description of Rehabilitation) will be submitted at project completion. PART 2 (Description of Rehabilitation) will be submitted at project completion. PART 3 is submitted at project completion. PART C is submitted after NPS approval of PART 3.

1. Name of property _____
Street _____

4-9-13-17

DCCEO

ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY &
THE ILLINOIS HISTORIC PRESERVATION TAX INCENTIVE AGENCY
**REHABILITATION STAGE
PART B**

Read all instructions carefully before completing the application. No certifications will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use continuation sheets attached to the back of this form. For both the State and the Federal Historic Tax Credit, the Secretary of the State Historic Preservation Agency (SHPO) must be approved prior to the beginning of construction. The PART 1 and PARTS 1 and 2 and PARTS A and B must be submitted and approved prior to the beginning of construction. The PART 2 (Description of Rehabilitation) will be submitted at project completion. PART 3 is submitted after NPS approval of PART 3.

Historic Rehabilitation Tax Credit (PART 2 Description of Rehabilitation) of the _____
County _____ State _____ Zip _____
Historic Preservation Tax Credit (PART 2 Description of Rehabilitation) of the _____
County _____ State _____ Zip _____
(Owner)

4-9-13-17

DCCEO

ILLINOIS DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY &
THE ILLINOIS HISTORIC PRESERVATION TAX INCENTIVE AGENCY
**CERTIFICATION OF QUALIFIED EXPENSES
PART C**

Read all instructions carefully before completing the application. No certifications will be made unless a completed application form has been received. Type or print clearly in black ink. If additional space is needed, use continuation sheets attached to the back of this form. For both the State and the Federal Historic Tax Credit, the Secretary of the State Historic Preservation Agency (SHPO) must be approved prior to the beginning of construction. The PART 1 (Description of Rehabilitation) will be submitted at project completion. PART 2 (Description of Rehabilitation) will be submitted at project completion. PART 3 is submitted after NPS approval of PART 3.

1. Name of property _____
Street _____
City _____ County _____ State _____
2. Project contact (if different from Owner)
Name _____ City _____ State _____
Street _____
3. Owner
Name _____ City _____ State _____
Phone _____ Email _____
Signature _____
Organization _____
Street _____
State _____ Zip _____ City _____ Phone _____
4. Expenditures Incurred
Total of qualified expenses (those attributed solely to the rehabilitation of the historic structure)
Please attach a summary and all supporting documentation (proof) of the qualified expenditures, see work, painting, etc., (handwriting, etc.)
Please attach a summary and all supporting documentation (proof) of the non-qualified expenditures.
Owner's purchase price for this historic structure _____
Please attach supporting documentation that displays the purchase agreement and owner's purchase price for this historic structure _____
DCCEO office use only
Illinois Department of Commerce and Economic Opportunity has reviewed and officially certified the historic structure. Owner's purchase price for this historic structure _____
Qualified Expenditures - PART C for the above-named project, owner, qualified expenditures for the historic structure.

Date _____ DCCEO Authorized Signature _____ DCCEO Contact _____

25% state historic tax credit
+

20% federal rehab tax credit

total benefit:

owner's state income taxes are
reduced by 45% of the rehab cost.

\$500,000 rehab = \$225,000 credit

\$500,000 rehab = \$275,000 net cost

preservation easement

- donation of the right to alter the exterior of a property
- benefit = tax deduction of the worth of that right
- in perpetuity

mccready house
by robert spencer,
oak park, 1907



secretary of the interior's standards for rehabilitation

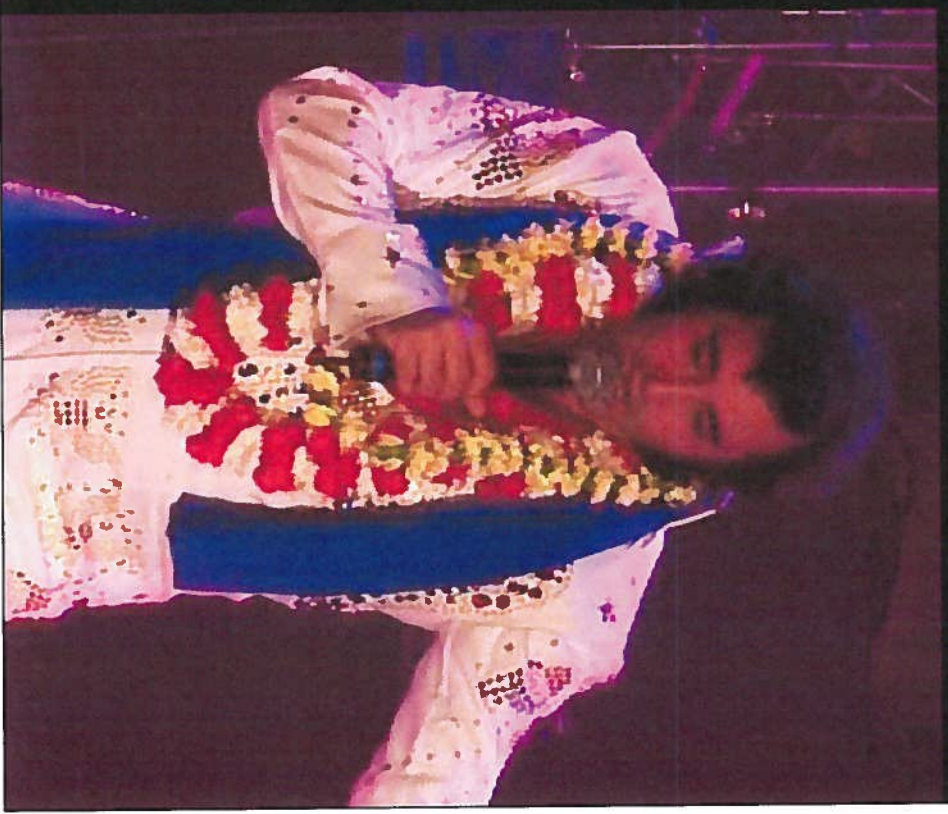
- determine what's significant
 - which facades (exterior)
 - which spaces (interior)
 - which features (exterior and interior)
- retain and repair the significant
- can alter the non-significant, if desired
- the goal is to retain authenticity

secretary of the interior's
standards for rehabilitation

authentic



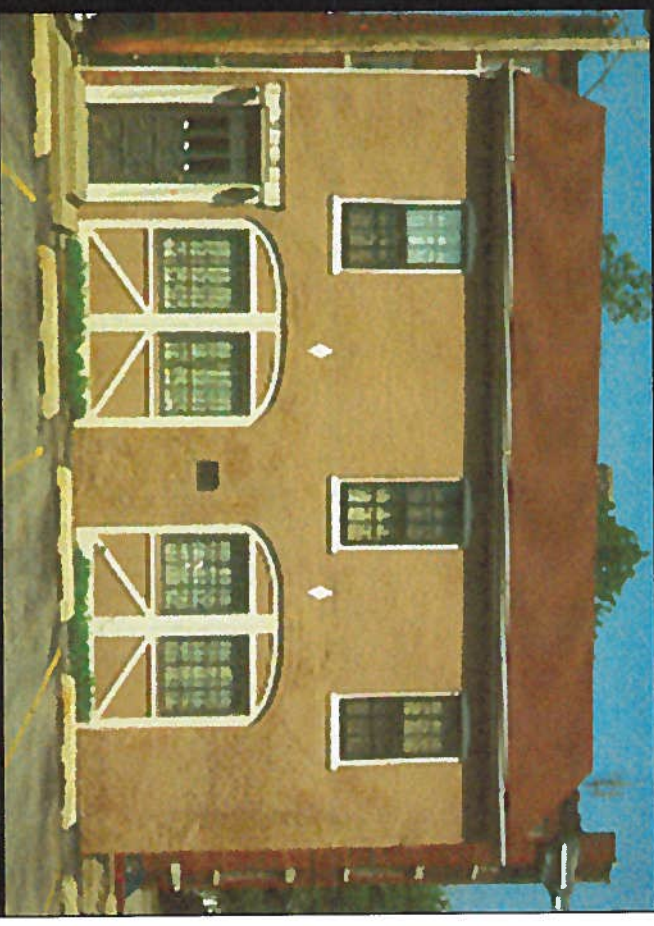
fake



secretary of the interior's standards for rehabilitation



before



after

- rehabilitation, not restoration standards

secretary of the interior's standards for rehabilitation



facades



spaces



features

Secretary of the interior's standards for rehabilitation

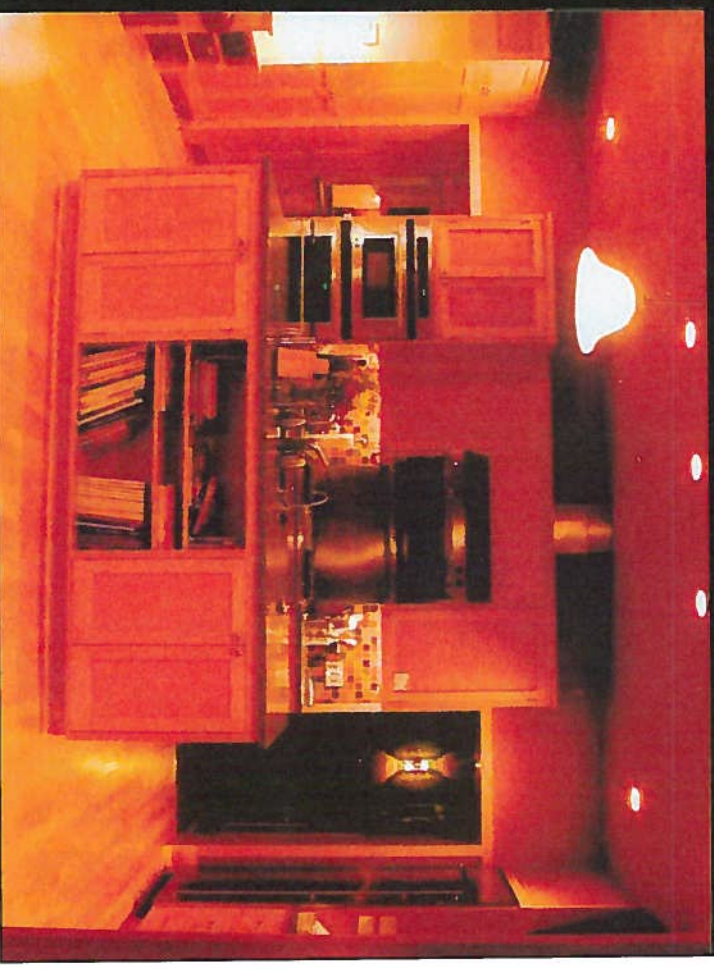
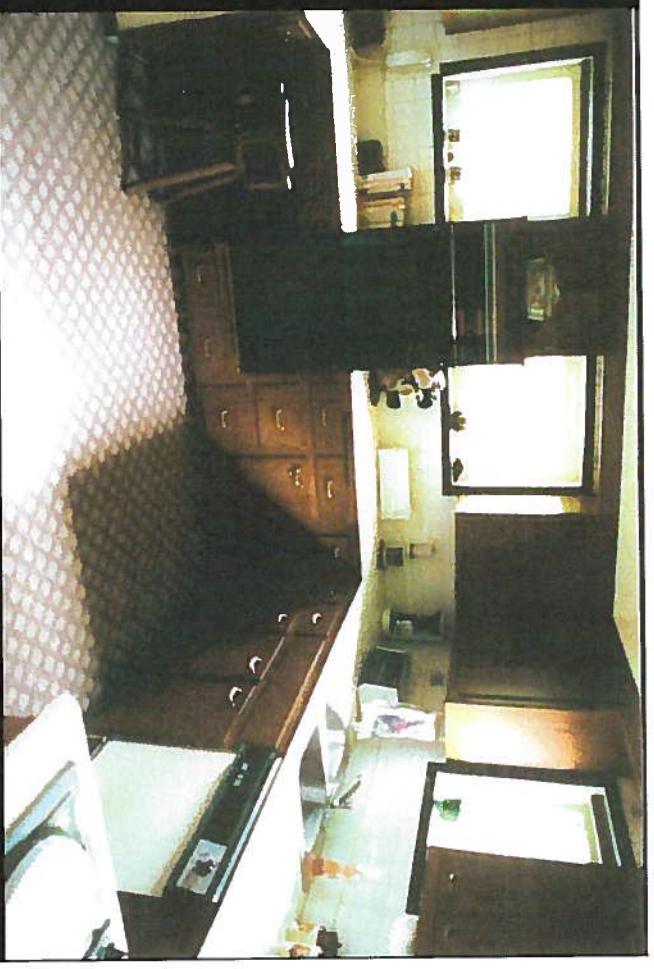
- reversible alterations in significant spaces



Secretary of the interior's standards for rehabilitation

- more flexibility in
less significant
areas

kitchen in emery house by
walter burley griffin, 1903.



Secretary of
the interior's
standards for
rehabilitation

- more flexibility in
less significant
areas

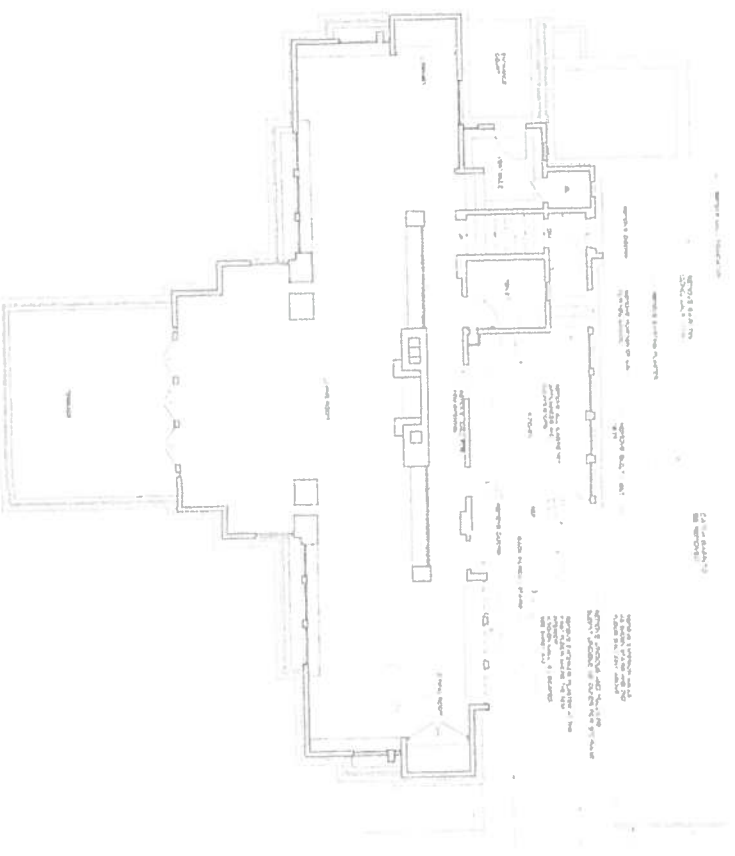


secretary of the interior's standards for rehabilitation



before

balch house by frank
lloyd wright, 1911

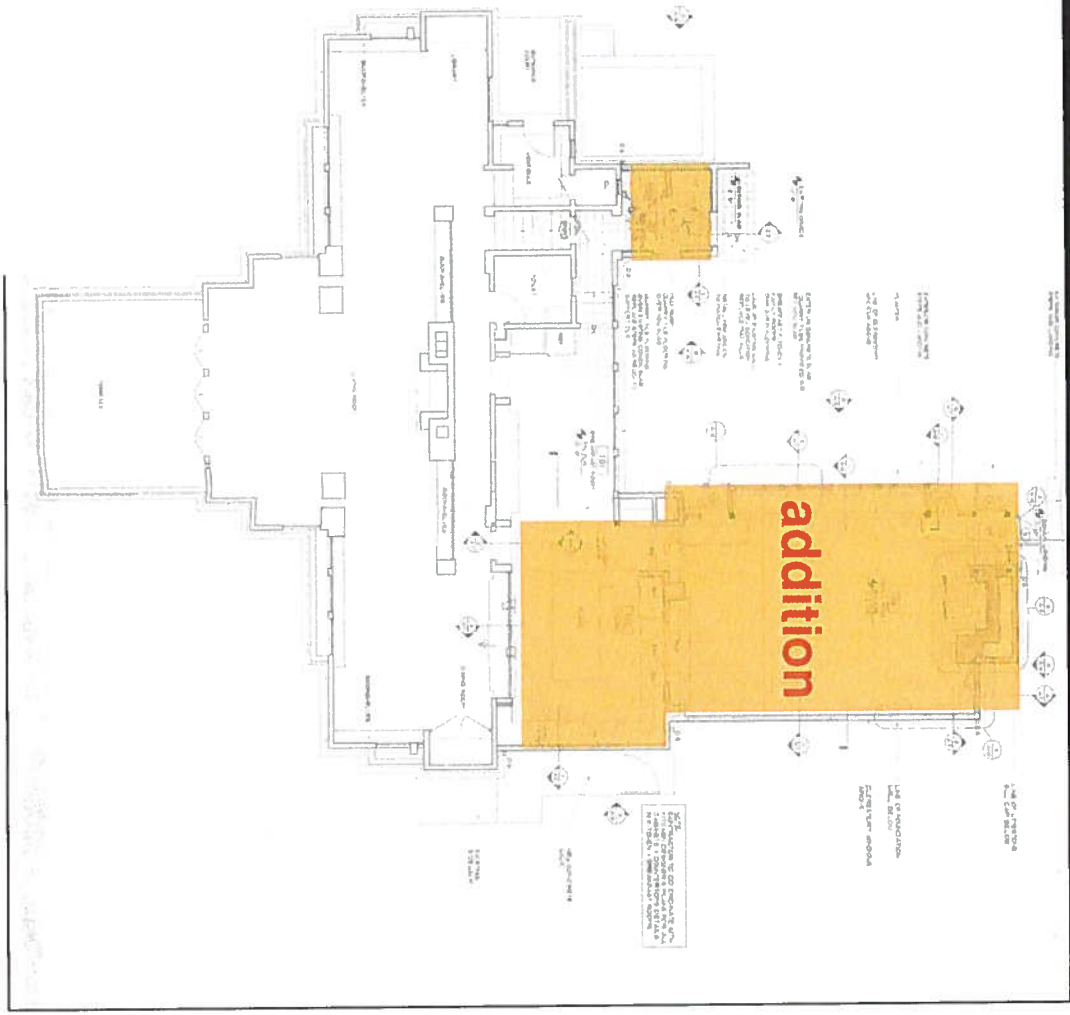


secretary of the interior's standards for rehabilitation



after

balch house by frank
lloyd wright, 1911



20% credit & assessment freeze 4 top tips

#1: don't
replace
your
windows
before you
talk to us



20% credit & assessment freeze 4 top tips

#1: don't
replace
your
windows
before you
talk to us



20% credit & assessment freeze 4 top tips

#1: don't
replace
your
windows
before you
talk to us



20% credit & assessment freeze 4 top tips

#2: don't gut your
building before you
talk to us



20% credit & assessment freeze 4 top tips

#3: work with
your
building's
own history.
don't
remove
historic
finishes



20% credit & assessment freeze 4 top tips

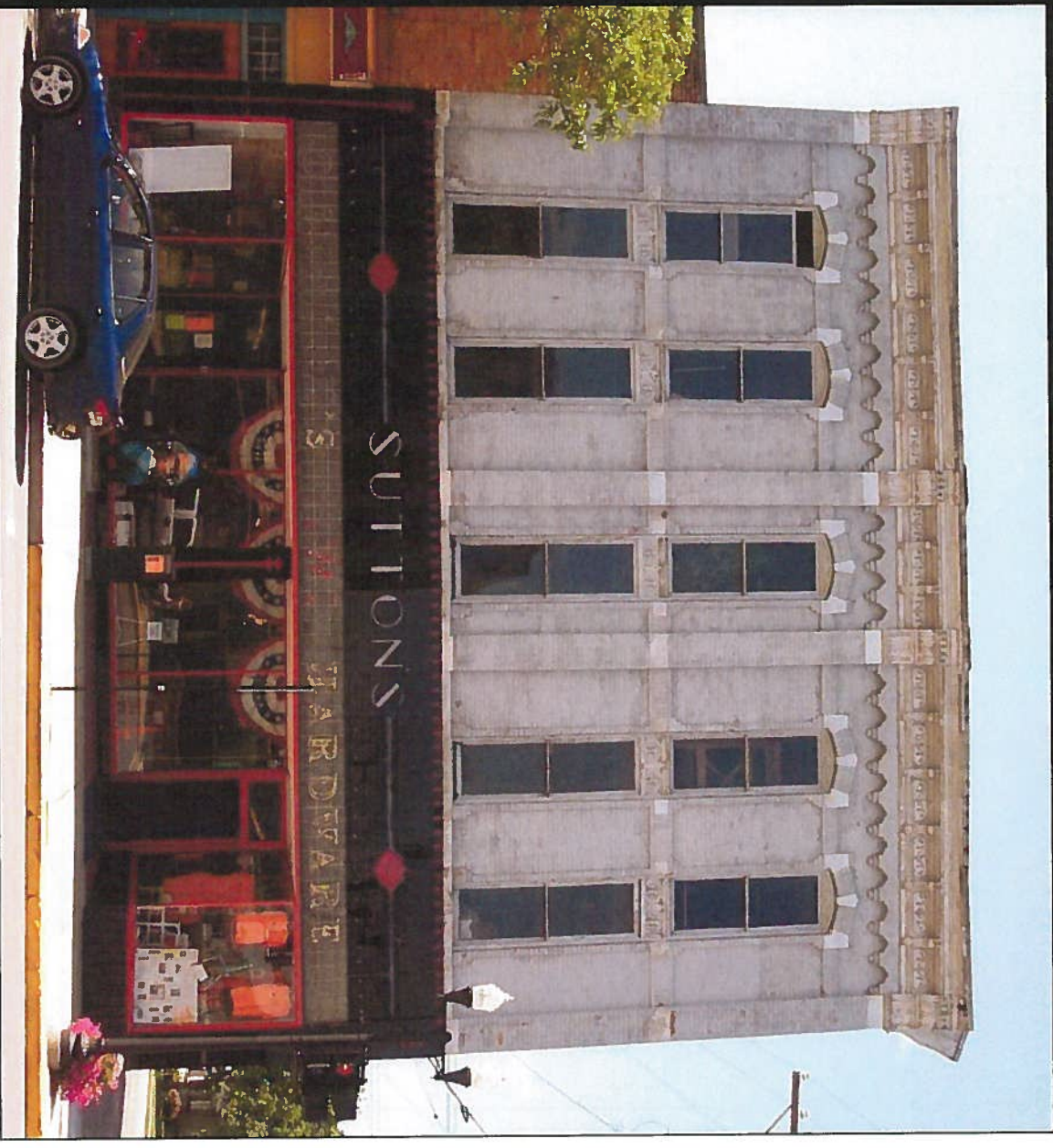
rookery, 1888
lobby remodeling
by fl wright, 1905

#3: work with
your
building's
own history.
non-original
alternations
may be
significant.



20% credit & assessment freeze 4 top tips

#3: work with
your
building's
own history.
non-original
alternations
may be
significant.



20% credit & assessment freeze 4 top tips

#4: fill out parts
1 and 2 and
submit plans
before work
begins



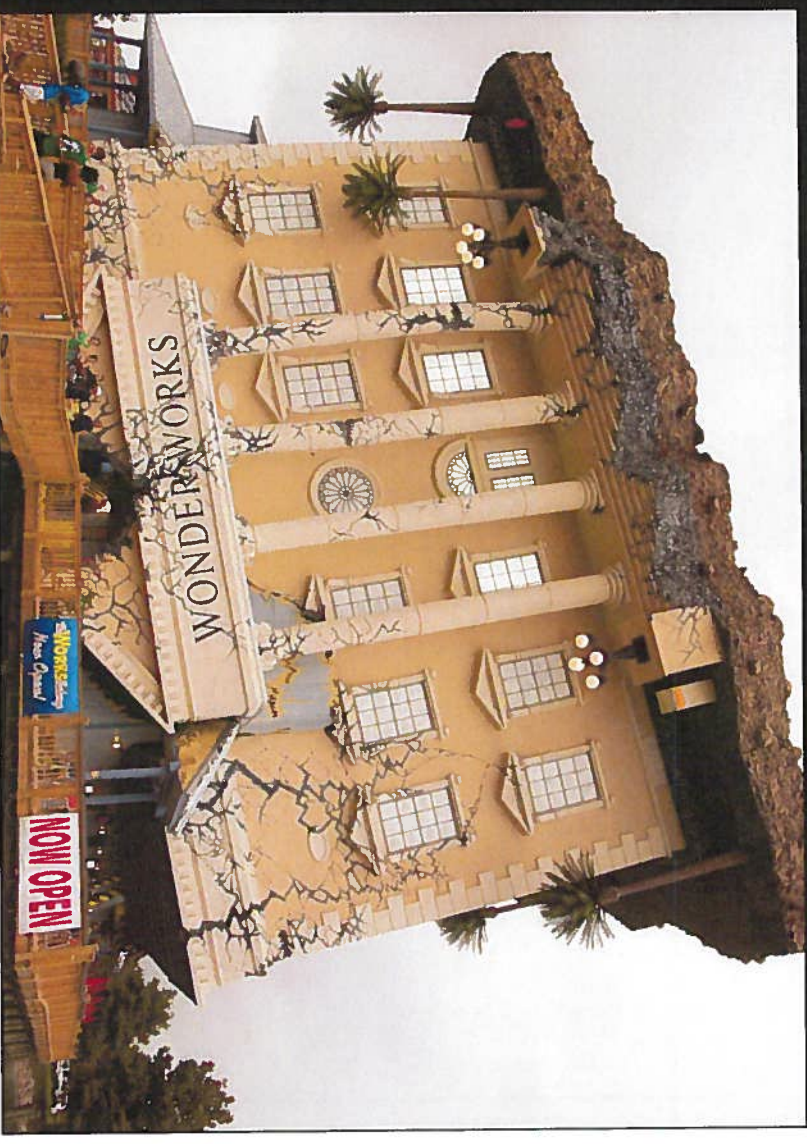
property tax assessment freeze flipping? yes.

- after rehab, developers can sell with the freeze
- developer fills out part 1 & 2
- first “owner-occupant” submits part 3



20% tax credit flipping? no.

- must retain building for 5 years or return a pro-rated portion of credits
- but can “syndicate” the credits



thank you

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illinois historic preservation

agency

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anthony.rubano@illinois.gov

www.illinois-history.gov

www.cr.nps.gov/hps

