



Tax Incentives for Preservation of Historical Buildings

Residential Property Tax Incentive:

Owner Occupied Residences: A special property tax assessment has been accepted by the town for the substantial rehabilitation of owner occupied residential property listed on the State Register of Historical Places (State Register). The increase in assessed value resulting from substantial rehabilitation of eligible property shall be phased in in one-fifth increments over a period of five years, to the full assessed value of the property. The special assessment applies only to the building(s) or structure(s) that are rehabilitated. (Reference: Town of Bedford General Bylaws, Article 56).

Eligibility:

- (1) The property must be occupied by the owner exclusively for residential purposes, and be listed on the State Register as maintained by the Massachusetts Historical Commission (MHC). Locally, the Bedford Historic Preservation Commission (HPC) can serve as a contact with MHC.
- (2) The cost of rehabilitation must be no less than 25% of the assessed value of the property prior to rehabilitation. Not less than 10% of the cost of rehabilitation must be dedicated to rehabilitation of the exterior of the historic building.
- (3) The property owner must present to the Assessors, a certificate from MHC/BHC stating that the proposed rehabilitation meets the Secretary of the Interior's Standards. Further, an owner receiving the special assessment must annually, and for the duration of the special assessment, (a) provide confirmation that he/she still owns and occupies the property, and (b) provide certification from MHC/BHC that the property continues to be in compliance with the Secretary of the Interior's Standards and the property is still listed on the State Register.

Further Information:

This incentive is administered through the Assessor's Office and coordinated with the town's Historic Preservation Commission (HPC). Details are contained within the town bylaw, **Article 56. Tax Deferral for Renovated Historic Properties**. This detail includes the application process, which starts with a **Rehabilitation Eligibility** form available in the Assessor's Office

Residences other than Owner Occupied: Non owner occupied historic residences that provide income for the owner may qualify for tax credits under the state and/or federal historic rehabilitation tax credit programs.



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Massachusetts Historic Rehabilitation Tax Credit Program:

This program is a pilot program with \$50 million of tax credits available annually for certified rehabilitation projects. The program expiration date has been extended to Dec 31, 2022 in the 2015 state budget. The program is administered by the Massachusetts Historical Commission, under Secretary of the Commonwealth, William F. Galvin, as Chairman of the MHC.

Under the program, a certified rehabilitation project on an income producing property is eligible to receive up to 20% of the cost of certified rehabilitation expenditures in state income tax credits. (Reference: <http://www.sec.state.ma.us/mhc/mhcidx.htm>)

Eligibility:

- (1) The building must be listed in, or eligible for listing, in the National Register of Historic Places. If it is not currently listed, the MHC must certify that it is a historic building that is eligible for listing in the National Register.
- (2) The properties must produce income and be owned by a for-profit entity that is subject to Massachusetts state income tax liability.
- (3) The rehabilitation must be "substantial", meaning that the rehabilitation expenditures within a 24 month period must exceed 25% of the taxpayer's Adjusted Basis in the building.
- (4) The rehabilitation must meet the Secretary of Interior's Standards for Rehabilitation.

Because the program is capped at \$50 million annually, there are selection criteria to ensure maximum public and preservation benefit. The amount of actual tax credit received will be based not only on the merits of the submitted project, but also on how the submitted project compares with the merits of other projects being considered with it.

Further Information:

Program details are available through the office of the Massachusetts Secretary of State (<http://www.sec.state.ma.us/mhc/mhctax/taxidx.htm>).

The Secretary of Interior's Standards for Rehabilitation, and can be accessed at <http://www.cr.nps.gov/hps/tps/tax/rhb/index.htm>.

Application materials, instructions, and implementing regulations for the program, are available at <http://www.sec.state.ma.us/mhc>. MHC staff is available to answer questions about the program.



Tax Incentives for Preservation of Historical Buildings

Federal Historic Preservation Tax Incentives Program:

The National Park Service administers this program in partnership with State Historic Preservation Offices. The tax incentives promote the rehabilitation of historic structures of every period, size, style and type. Current tax incentives for preservation, established by the Tax Reform Act of 1986 (PL 99-514; Internal Revenue Code Section 47 include:

- A 20% tax credit for the *certified rehabilitation of certified historic structures*.
- A 10% tax credit for the rehabilitation of *non-historic, non-residential* buildings built before 1936.
- These credits are mutually exclusive – they cannot be combined on a single project

In all cases, the rehabilitation must be *substantial* and must involve a *depreciable* building. Congress does, from time to time, increase these credits for rehabilitation of buildings located in areas affected by natural disasters. It is recommended that potential applicants seek the latest information from IRS Form 3468, Investment Credit, and/or contact the State Historic Preservation Office. (Reference: **Historic Preservation Tax Incentives**, by the National Park Service, U. S. Department of the Interior, Technical Preservation Services. This booklet describes the Federal Historic Preservation Tax Incentives at a general level, and includes copies of application forms, regulations, and other program information, including a list of contact agencies.)

Eligibility – 20% Tax Credit:

- (1) The building must be a certified historic structure, listed in the National Register of Historic Places either as an individual building, or as a contributing building in a National Register historic district, or as a contributing building within a local historic district that has been certified by the Department of Interior, National Park Service.
- (2) It is available for rehabilitation of commercial, industrial, agricultural or rental residential purposes.
- (3) The rehabilitation must be *substantial* - that is, rehabilitation expenditures must exceed the greater of \$5,000 or the adjusted basis of the building and its structural components.
- (4) The building must be *depreciable* – that is, it must be used in a trade or business or held for the production of income.

Eligibility – 10% Tax Credit:

- (1) The building must be a *non-historic, non-residential* building built before 1936.
- (2) It is available only for non-historic buildings rehabilitated for non-residential use.

- (3) The rehabilitation must be substantial – that is, rehabilitation expenditures must exceed the greater of \$5,000 or the adjusted basis of the building
- (4) The building must be *depreciable* – that is, it must be used in a trade or business or held for the production of income.

Further Information:

The National Park Service (U S Department of the Interior) provides a brochure describing the program; it is available at <http://www.nps.gov/tps/tax-incentives/taxdocs/about-tax-incentives-2012.pdf>.

The Historic Preservation Certification application is a 2- or 3-part process, depending on whether the building is individually listed in the National Register of Historic Places. These processes are described in the National Park Service Brochure including requirements for approval. The parts are:

Part 1: Evaluation of Significance of the Property

Part 2: Description of Rehabilitation Work

Part 3: Request for Certification of Completed Work