



HISTORIC TAX CREDIT WEBINAR



JUNE 15, 2017

Workshop Funding provided by:
Rural Maryland Council

Sponsor:
Preservation Maryland

Presenters:
NAKITA REED, AIA, LEED AP BD+C
WARD BUCHER, AIA

PRINCIPALS + CO-FOUNDERS OF ENCORE SUSTAINABLE DESIGN

- *Licensed Architects*
- *Trained Preservationists*
- *Have helped numerous clients receive \$50k+ in historic tax credits*



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- Acronyms
- Secretary of the Interior's Standards for Rehabilitation
- Contact Forms



HISTORIC TAX CREDIT QUICK REFERENCE

Historic Preservation Acronyms

MHT - Maryland Historic Trust

NPS - National Park Service

QRE - Qualified Rehabilitation Expenditures for the Historic Tax Credit

SHPO - State Historic Preservation Office(r). Varies by state - in MD it's MHT

SOI - Secretary of the Interior Standards

HTC - Historic Tax Credit

A Certified Historic Structure is at least one of the following:

- Individually listed on the National Register of Historic Places
- A contributing resource within a National Register Historic District
- A locally designated structure of contributing resource to a local historic district that MHT determines to be eligible for the National Register

Expenses that Qualify for the Rehabilitation Tax Credit

Any expenditure for a structural component of a building will qualify for the rehabilitation tax credit. Treasury Regulation 1.48-1(e)(2) defines structural components to include walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, components of central air conditioning or heating systems, plumbing and plumbing fixtures, electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes, and other components related to the operation or maintenance of the building.

In addition to the above named "hard costs", there are "soft costs" which also qualify. *These include construction period interest and taxes, architect fees, engineering fees, construction management costs, reasonable developer fees, and any other fees paid that would normally be charged to a capital account.*

Are solar panels, wind turbines or geothermal systems eligible expenses?

Because IRS regulations define structural components to include all features (whether in, on, or adjacent to the building) of a central air conditioning or heating system, plumbing and plumbing fixtures, electric wiring, and other components relating to the operation or maintenance of a building, the function and purpose of a renewable energy system will determine if it is an eligible expense. **Solar panels, wind turbines, and geothermal systems that are essential to the operation or maintenance of the rehabilitated historic building should qualify for this tax credit. However, systems that produce electricity to back feed the power grid may not qualify.**

(Source: NPS.gov)

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Historic Tax Credit QREs:

Costs associated with these items are generally **eligible**:

- Walls
- Partitions
- Floors
- Ceilings
- Permanent coverings, such as paneling or tiles
- Windows and doors
- Components of central air conditioning or heating systems
- Plumbing and plumbing fixtures
- Electrical wiring and lighting fixtures
- Chimneys
- Stairs
- Escalators, elevators, sprinkler systems, fire escapes
- Other components related to the operation or maintenance of the building
- Soft costs

Costs associated with these items are generally **not eligible**:

- Acquisition costs
- 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)
- Fencing
- Feasibility studies
- Financing fees
- Furniture
- Landscaping
- Leasing Expenses
- Moving (building) costs (if part of acquisition)
- New construction costs or enlargement costs (increase in total volume)
- 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

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SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

Source: <https://www.nps.gov/tps/standards/rehabilitation.htm>

Rehabilitation projects must meet the following Standards, as interpreted by the National Park Service, to qualify as "certified rehabilitations" eligible historic tax credits. The Standards are applied to projects in a reasonable manner, taking into consideration economic and technical feasibility.

The Standards apply to historic buildings of all periods, styles, types, materials, and sizes. They apply to both the exterior and the interior of historic buildings. The Standards also encompass related landscape features and the building's site and environment as well as attached, adjacent, or related new construction.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

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Heritage Structure Rehabilitation Tax Credit Program

Small Commercial Tax Credit

Administered by Maryland Historical Trust

The Heritage Structure Rehabilitation tax credit program includes credits for small commercial properties. This new category will help fund modest rehabilitation projects such as roof repair and façade restoration. Eligible projects may receive a state income tax credit up to 20 percent of qualified rehabilitation expenditures.

Small commercial rehabilitations cannot exceed \$500,000 in expenses, and the credit is capped at \$50,000 in a 24-month period.

MHT will accept applications for the Small Commercial Tax Credit beginning September 1 for preliminary review. Projects cannot begin work and will not be certified prior to January 1, 2015.

Eligibility

Buildings must be income-producing and contain no more than 75 percent residential rental use. A main street business with a top floor apartment is an example of a small commercial property. Each building must be certified as historic, defined as having at least one of the following designations:

- ❖ Individually listed in the National Register of Historic Places
- ❖ A contributing resource within a National Register Historic District
- ❖ A locally designated structure or contributing resource to a local historic district that MHT determines to be eligible for the National Register
- ❖ Located within and certified as contributing to the significance of a Certified Heritage Area

Learn more:

Megan Klem, megan.klem@maryland.gov, 410-697-9560
mht.maryland.gov/taxcredits_small_commercial.shtml



Heritage Structure Rehabilitation Tax Credit Program

Homeowner Tax Credit

Administered by Maryland Historical Trust

Homeowners can earn a state income tax credit for renovating historic homes. The tax credit offers homeowners of single-family, owner-occupied residences up to 20 percent of eligible rehabilitation costs. Tax credits may be used for repairs such as:

- ❖ Roof repair and replacement
- ❖ Chimney repair and lining
- ❖ Window restoration
- ❖ New storm doors/windows
- ❖ Masonry repointing
- ❖ Floor refinishing

Eligibility

Buildings must be certified as historic, defined as having at least one of the following designations:

- ❖ Individually listed in the National Register of Historic Places
- ❖ A contributing resource within a National Register Historic District
- ❖ A locally designated structure or contributing resource to a local historic district that MHT determines to be eligible for the National Register

The credit is capped at \$50,000 in a 24-month period and projects must have a minimum of \$5,000 of eligible expenses to qualify. Applications are accepted year round; MHT review runs approximately 30-45 days.

Learn more:

Megan Klem, megan.klem@maryland.gov, 410-697-9560
mht.maryland.gov/taxcredits_homeowner.shtml



- What properties are eligible for the state and federal tax credit programs
- What projects and expenses are eligible for the credit
- The basics of the Secretary of the Interior's Standards for rehabilitation
- How to prepare a tax credit application

- What properties are eligible for the state and federal tax credit programs
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Related Items (not reviewing in this workshop)

- Section 106 Review
- Local HTC (Depends on the city/county)
- Federal 10% Investment Tax Credit

Historic Tax Credit Examples - After



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Historic Tax Credit Examples - Before



- “Certified Historic structures” (or contributing structures in historic districts) are eligible to receive historic tax credits
- Tax credits are claimed by an income producing entity over a 5 year period
- Any design changes (interior and exterior) must adhere to the Secretary of Interior (SOI) Standards during the application process and for the 5 years the tax credits are being claimed
- If any design changes are made to the building that do not conform with the SOI Standards the tax credit can be recaptured.
- Different Applications for Local, State, Federal credits
- Applications typically have a Part 1, Part 2, Part 3
- No work should begin until Part 2 has been certified by the SHPO or NPS

Tax Credit Program	Homeowner Project	Small Commercial Project	Large Commercial Project
Maryland Homeowner Tax Credit	✓		
Maryland Small Commercial Tax Credit*	✗		
Maryland Heritage Structure Rehabilitation Tax Credit (State Competitive)	✗		
20 % Federal Historic Preservation Tax Incentive	✗		

Tax Credit Program	Homeowner Project	Small Commercial Project	Large Commercial Project
Maryland Homeowner Tax Credit	✓	✗	
Maryland Small Commercial Tax Credit*	✗	✓	
Maryland Heritage Structure Rehabilitation Tax Credit (State Competitive)	✗	✗	
20 % Federal Historic Preservation Tax Incentive	✗	✓	

** total qualified rehab expenses do not exceed \$500,000 & the building is not more than 75% residential*

Tax Credit Program	Homeowner Project	Small Commercial Project	Large Commercial Project
Maryland Homeowner Tax Credit	✓	✗	✗
Maryland Small Commercial Tax Credit*	✗	✓	✗
Maryland Heritage Structure Rehabilitation Tax Credit (State Competitive)	✗	✗	✓
20 % Federal Historic Preservation Tax Incentive	✗	✓	✓

** total qualified rehab expenses do not exceed \$500,000 & the building is not more than 75% residential*



Homeowner Tax Credit

- Can receive up to 20% of QREs
 - Non-competitive process
- Rolling application submission deadline
- Must have a minimum of \$5,000 of eligible expenses to qualify
- Credit capped at \$50,000 in a 24-month period
- Review period approximately 30-45 days



Small Commercial State Historic Tax Credit

- Can receive up to 20% of QREs
 - Non-competitive process
- Rolling application submission deadline
 - QREs can't exceed \$500,000
- Must be income producing
- No more than 75% of the building can be used for residential rental purposes



Maryland State Historic Tax Credit

- Can receive up to 25% of QREs
 - Competitive process
 - HTC capped at \$3M/project (avg. program budget \$10M - \$13M)
- Annual summer application submission deadline.
 - Must be income producing
- Awardees announced by the Governor by mid-January

Non-profits can utilize through syndication



Federal Historic Tax Credit

- Can receive up to 20% of QREs
 - Non-competitive process
- Rolling application submission deadline
 - Must be income producing
- Typical response within 60 - 90 days
- Non-profits can utilize through syndication

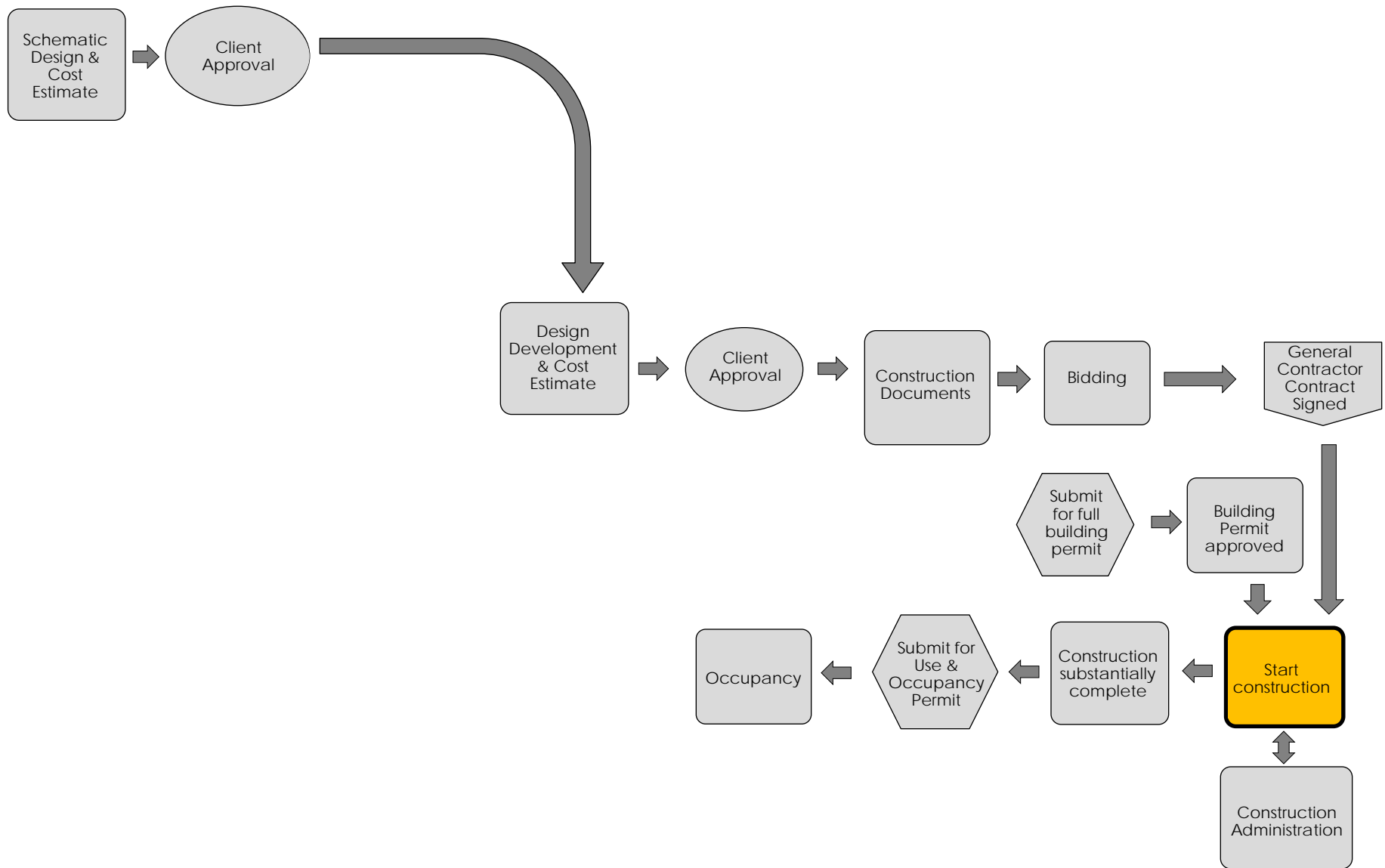


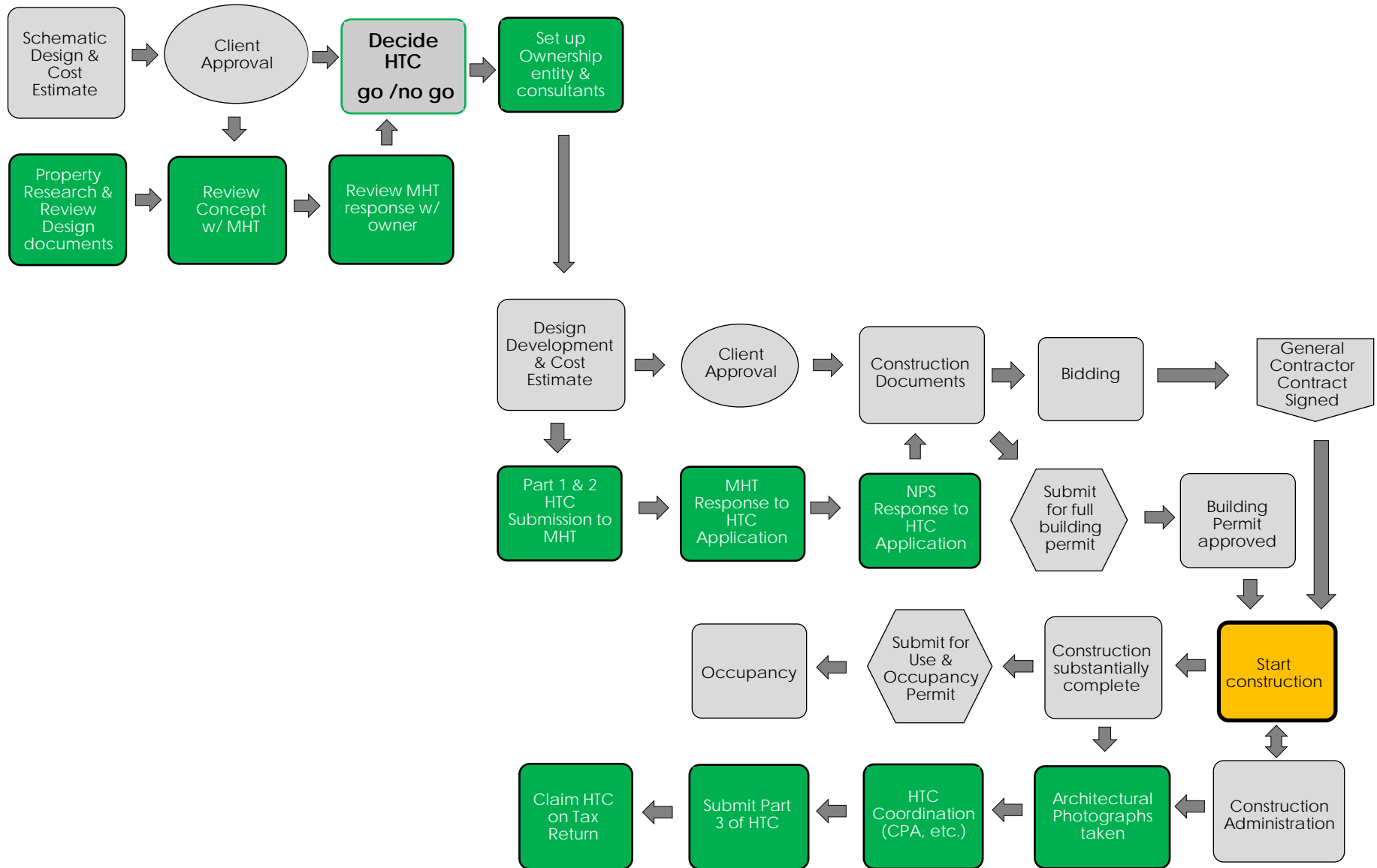
*State Historic
Preservation
Office(r)
(SHPO)*



MD Comptroller

Typical Design-Bid-Build Flowchart





Maryland Homeowner Tax Credit



Property Research
& Review Design
Documents

RESEARCH

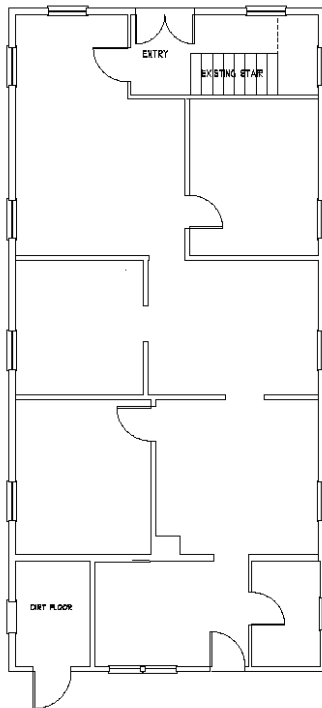
Downes Curtis, and his brother Albert, were sail makers in the former schoolhouse from 1940 until his death in 1994.



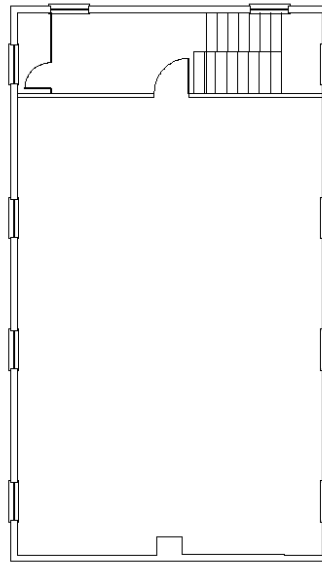
SCHEMATIC DESIGN

The first steps are developing a program and producing measured drawings of the building.

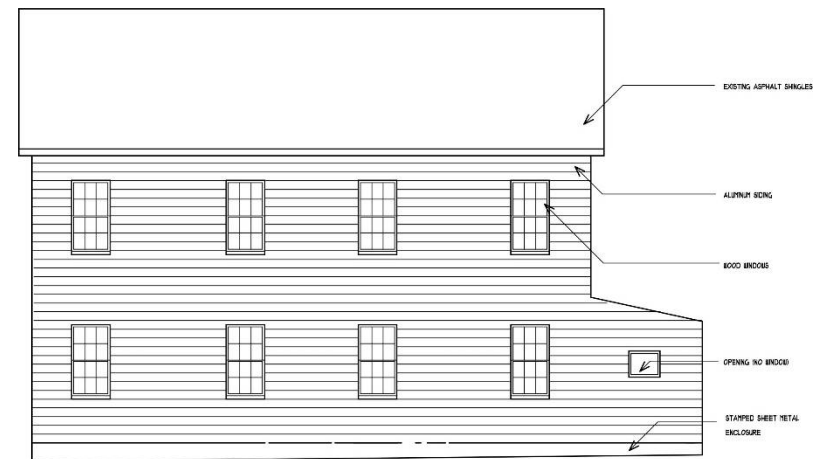
Schematic Design
& Cost Estimate



1st Floor



2nd Floor

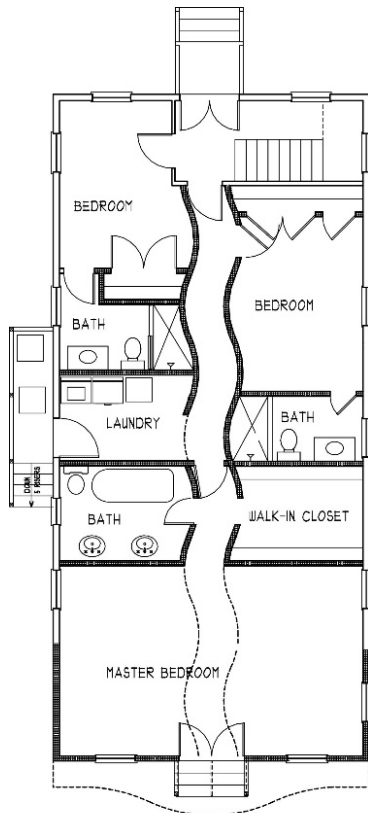


West Elevation

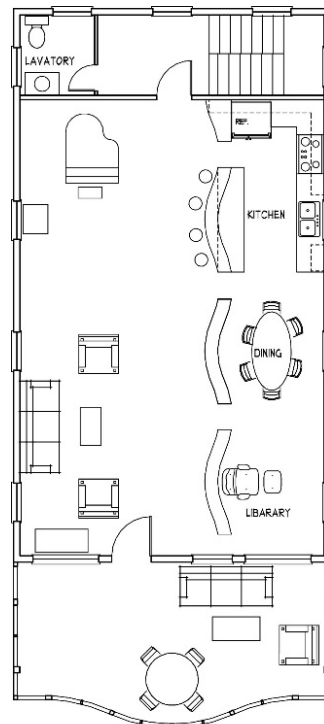
SCHEMATIC DESIGN

Implementing the program in three dimensions with a mixture of new and old.

Schematic Design
& Cost Estimate



1st Floor



2nd Floor



APPLICATION TO MHT PART 1: Evaluation of Significance

Part 1 & 2 HTC
Submission to MHT1. **Name of Property:** Curtis Sail Loft

Address of property: Street: 208 Tighlman Street

City: Oxford County: Talbot State: MD Zip: 21654

☐ Listed individually in the National Register of Historic Places; give date of listing: _____☐ Individually designated historic property under local law; give date of designation: _____☒ Located in a National Register of locally designated historic district; specify: Oxford Historic District☐ Located in a certified heritage area; specify: _____Has a Part 1 Application (Evaluation of Significance) has been submitted for this project? ☒ yes ☐ noIf yes, date Part 1 submitted: February 23, 2001 (Same date as part 2) Date of certification: _____ MHT Project
Number _____2. **Data on building and rehabilitation project:**

Date building constructed: Ca. 1899

Type of Construction: Wood frame

Number of housing units before rehabilitation: 2

Floor area before rehabilitation: 3078 sf
rehabilitation: 2

Floor area after rehabilitation: 3,630sf

Number of housing units after

Use(s) before rehabilitation: Vacant, former residence

Proposed use(s) after rehabilitation: Residence

This application covers phase number 1 of 1 phases

Estimated cost of rehabilitation: \$175,000

Project/phase start date (est.): June 1, 2001

Completion date (est.): September 1, 2001

3. **Project contact:**

Ward Bucher, A.I.A.

Ward Bucher Architects

1419 Clifton Street, N.W.

Suite 100

Washington, D.C. 20009

202-667-7525

4. **Owner:**

I hereby attest that the information I have provided is, to the best of my knowledge, correct, and that I own the property described above. I understand that falsification of factual representations in this application is subject to criminal sanctions of up to \$5,000 in fines or imprisonment for up to months pursuant to Article 27, § 13-1024, Annotated Code of Maryland.

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APPLICATION TO MHT PART 1: Evaluation of Significance

Part 1 & 2 HTC
Submission to MHT

5. Description and physical appearance:

The Curtis Sail Loft is located at 208 Tilghman Street in Oxford, Maryland. Its north (front) elevation faces Tilghman Street and its south (rear) elevation faces the Town Creek, which connects to the Tred Avon River of the Eastern Shore area of Maryland. The Curtis Sail Loft is a 2-1/2 story, stick-framed structure. It was built in 1899 as an elementary school for African American children. It later functioned as a sail loft and residence. The rectangular, box-shaped building has a simple vernacular form with little decoration. Its plan dimensions are approximately 24' X 42'. There is a 1-story, shed-roof addition at the south of the main structure. In general, the Curtis Sail Loft is in good condition and contains much of its original building materials.

Has the building been moved? ____ Yes X No. If so, when? _____

6. Statement of significance:

Summary of Significance

The Curtis Sail Loft, 208 Tilghman Street, is significant for its historical role in African American community life in Oxford, Maryland. The property was bought in 1898 by the Board of County School Commissioners. Built in 1899 as an elementary school, grades 1-8, for African American children, the Curtis Sail Loft is a physical representation of a small, African American tidewater community's desire to educate and improve the lives of their children. Set across a main street from the Odd Fellow's Hall, a fraternal society remaining from the same period, the placement of the school helped define the community's social center. The second floor of the building was later used as a sail loft by the regionally known sailmaker, Downes F. Curtis.

APPLICATION TO MHT PART 1

Photographs of each façade, including context.

Part 1 & 2 HTC
Submission to MHT



APPLICATION TO MHT PART 1

Photographs of each historic element, indicating condition.

Part 1 & 2 HTC
Submission to MHT



APPLICATION TO MHT PART 1

Photographs of each interior space.

Part 1 & 2 HTC
Submission to MHT



APPLICATION TO MHT PART 2: Description of Rehabilitation

Part 1 & 2 HTC
Submission to MHT

5. DETAILED DESCRIPTION OF REHABILITATION/PRESERVATION WORK

NUMBER

1

Architectural Feature Masonry pier foundationApproximate date of feature Ca. 1899

Describe existing feature and its condition:

Bricks are laid in common bond pattern and are in good condition.

Photo no. 22

Drawing no. A201

Describe work and impact on existing features:

Building will be raised 3 feet and brick piers extended to match existing . It
Is necessary to raise building because, as it is currently standing, the sills
1 foot below the flood plain.

CONSTRUCTION

Stripping off siding and finishes leads to new discoveries.

Start Construction



CONSTRUCTION

Get approval if there are changes to the design.

Start Construction



CONSTRUCTION COMPLETE

Construction
substantially
complete



PART 3 – Photographs

Same view as the before photographs.

Architectural
Photographs taken



Submit Part 3 of HTC

PART 3 – Certification Application

•Name of property: Curtis Sail Loft State Legislative District: Maryland
Address of property: Street: 208 Tilghman Street
City/Town: Oxford County: Talbot Zip: 21654
Is the property a certified heritage structure? ___ yes ___ no If yes, give date of certification by MHT: ____/____/____
For properties that were pending National Register/ local individual designation or National Register or local historic district designation, give date of
designation: ____/____/____.
Name of National Register or local historic district (if applicable): _____

2. Data on rehabilitation project:

Project starting date: 06 / 01 / 2001 Rehabilitation work on this property was completed on: 12 / 1 / 2005

Total rehabilitation costs (including new construction costs, such as additions, site work and landscaping):

\$ 260,000

Less amount of state and/or local government funding included in this amount (if applicable): -- \$ 0

Less actual costs attributed to new construction, including new additions, site work and landscaping (if applicable): -- 15.2% \$ (10,000)

Total allowable project costs (value of tax credit will be based on this amount which may not exceed \$250,000): \$ 250,000

Would this rehabilitation project have otherwise been undertaken if the Maryland tax credit/ was not available? yes X no \$ 250,000

For each item on the spreadsheet you must include

- (1) a copy of the invoice or receipt, showing which goods or services were purchased,
- (2) Certifiable proof of payment, which may consist of one of the following:
 1. A dated credit card receipt
 2. A cancelled check
 3. A bank statement showing the check number, date, payee name, and amount
 4. A signed statement from the contractor or vendor stating the amount paid (an invoice simply marked "PAID" or \$0 balance is not sufficient).



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Maryland Small Commercial Tax Credit



PARTS 1 & 2 – Similar to Homeowners but may include both MHT & NPS.

Part 1 & 2 HTC
Submission to MHT

A small 1½ story house was built by Edwin N. Hambleton before 1826 and enlarged five times through the years.



Part 1 & 2 HTC
Submission to MHT

PARTS 1 & 2 – Similar to Homeowners but may include both MHT & NPS.



Submit Part 3 of
HTC

PART 3 – Similar to Homeowners but may include both MHT & NPS.



Submit Part 3 of
HTC

PART 3 – Similar to Homeowners but may include both MHT & NPS.



Submit Part 3 of
HTC

PART 3 – Similar to Homeowners but may include both MHT & NPS.



PART 3 – Qualified Rehabilitation Expenses

Submit Part 3 of
HTC

Project Number: 2015-119

Part 3 Itemized Expense Sheet

Address: 111 South Washington Street, Easton, MD

Invoice/ Receipt/cancel- ed check #	Date of Receipt	Payee for Item (name of contractor, company, etc.)	Part 2 Work Item #	Part 2 Work item description	Expenditure Amount	Qualified Expense	Unqualified Expense
	7/2/2015	Postal Suites	1-12	Copy permit plans	38.16	\$38.16	\$0.00
1001	7/16/2015	Town of Easton	1-12	Building Permit	667.91	\$667.91	\$0.00
1009	8/5/2015	Walt Johnson	1-12	Construction Coordination	\$592.04	\$592.04	\$0.00
1012	8/5/2015	Encore Sustainable Design LLC	1-12	Architecture & Engineering	\$13,795.00	\$13,795.00	\$0.00
1014	8/5/2015	Cynthia Schmidt	1-12	Historical Research	\$400.00	\$400.00	\$0.00
1015	8/5/2015	Doty's Sewer & Plumbing	12	Plumbing deposit	\$3,025.00	\$3,025.00	\$0.00
1016	8/7/2015	Reyes Fernandez	1, 2, 3, 4, 5, 6	Painting exterior	\$500.00	\$500.00	\$0.00
1018	8/14/2015	Lowe's	2	Materials	\$183.40	\$115.03	\$68.37
1021	8/14/2015	Reyes Fernandez	1, 2, 3, 4, 5, 6	Painting exterior	\$500.00	\$500.00	\$0.00
	8/24/2015	Avon Decorating Center	1, 2, 3, 4, 5, 6	Paint exterior	\$273.42	\$273.42	\$0.00
1022	8/26/2015	Key One	12	Locksets	\$1,100.59	\$1,100.59	\$0.00
1023	8/23/2015	Reyes Fernandez	1, 2, 3, 4, 5, 6	Painting exterior	\$2,000.00	\$2,000.00	\$0.00
1024	9/1/2015	Doty's Sewer & Plumbing	12	Plumbing	\$2,021.66	\$2,021.66	\$0.00
1029	9/1/2015	Walt Johnson	2, 3, 5	Exterior carpentry	\$3,347.46	\$3,347.46	\$0.00
1038	9/18/2015	Shaunt Bazikian	8	Fence clear brush	\$370.00	\$0.00	\$370.00
1050	10/17/2015	Kleppinger Electric	12	Electrical wiring	\$4,290.00	\$4,290.00	\$0.00
1167	7/2/2016	Long Fence (SunTrust)	8	Fence	\$3,295.00	\$0.00	\$3,295.00
		Non-Personal (unqualified) Funding Sources:					
				Insurance Reimbursement Funds			\$0.00
				Local Government Funding (list type, i.e. grants, loans)			\$0.00
				State Government Funding (list type, i.e. grants, loans, credits)			\$0.00
		Totals:		Total Rehabilitation Expenditures			\$36,399.64
				Qualified Expenditures			\$32,666.27
				Unqualified Expenditures			\$3,733
				Part 3 Total Qualified Rehabilitation Expenditures as submitted:			\$32,666.27

Small Commercial

Eligible Costs:\$500,000

20% State HTC:.....\$100,000

HTC Related Costs:.....(\$20,000)

Net HTC Benefit:\$80,000

Maryland Heritage Structure Rehabilitation Tax Credit (State Competitive)



- No more than ½ of program budget can go to projects located in Baltimore
- (FY2017 Stats: 8 of 15+ projects awarded)
- +5% for High Performing Buildings – LEED Gold or Equivalent



Packing Plant, Cambridge



Samples of Previous winners - Before



Packing Plant, Cambridge



St. Peter's School, Baltimore



Samples of Previous winners - Before



Packing Plant, Cambridge



St. Peter's School, Baltimore



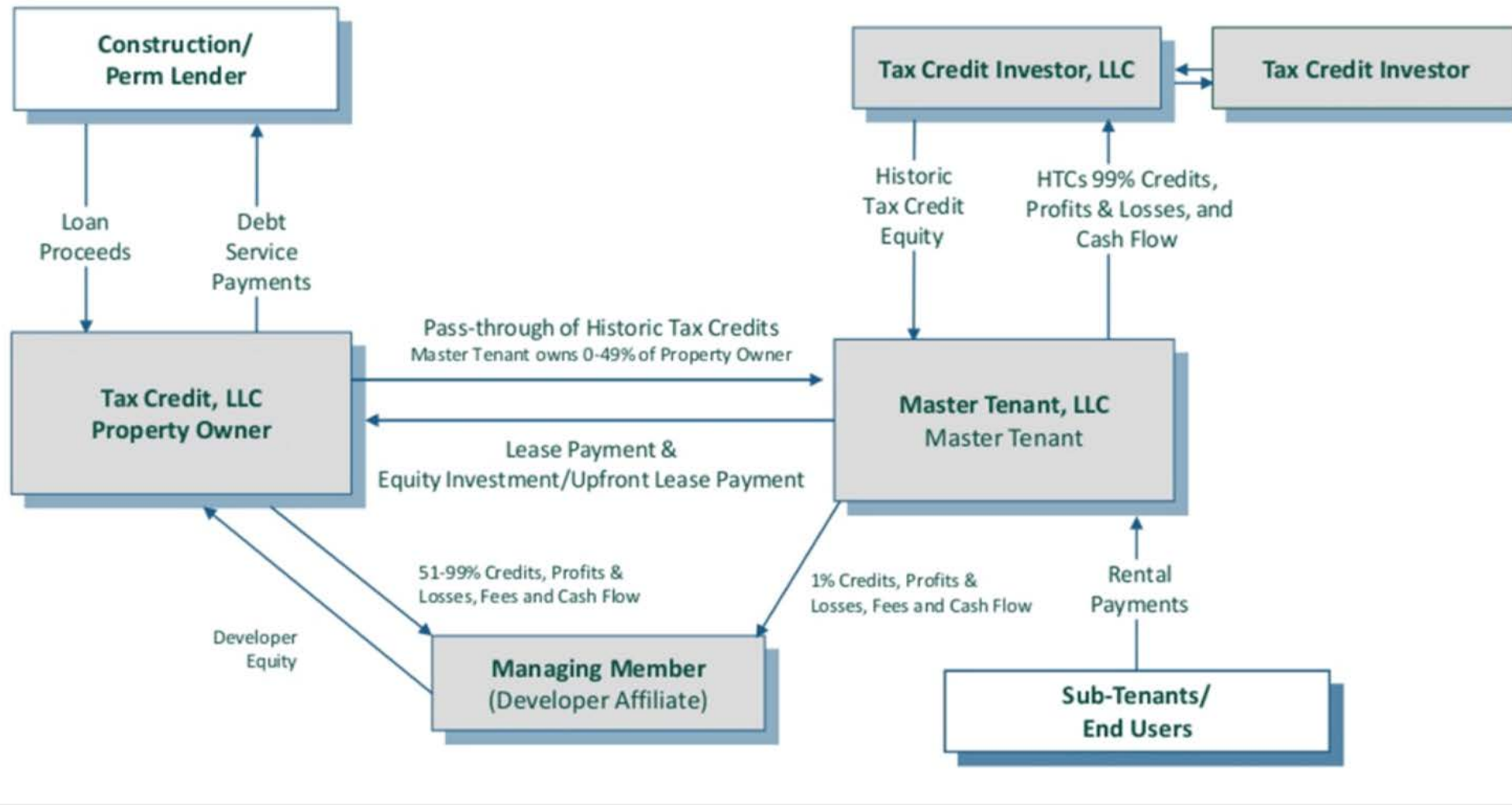
CASA de Maryland, Hyattsville



Samples of Previous winner - After



HTC Pass – Through flowchart



(Source: Mayer Hoffman McCann PC)

State Only

Eligible Costs: \$1,000,000

25% State HTC:.....\$250,000

-

HTC Related Costs:..... (\$40,000)

Net HTC Benefit:\$210,000

Potential Equity (@ \$0.90):..... \$189,000

20 % Federal Historic Preservation Tax Incentive



- Same process as the MD State competitive application.

Same information requested for the state application is copied into the federal application.



**STATE HTC
APPLICATION**



**FEDERAL HTC
APPLICATION**

State & Federal

Eligible Costs:\$1,000,000

20% Federal HTC:.....\$200,000

+

25% State HTC:.....\$250,000

-

HTC Related Costs:(\$40,000)

Net HTC Benefit:\$410,000

Potential Equity (@\$0.90):.....\$369,000

PROCESS

- Assemble Team
- Estimate tax credit value
- Analyse & document historic significance
- Design to preserve significant historic elements
- Prepare Part 1 of Application – Significance
- Prepare Part 2 of Application – Description of Rehabilitation
- Submit Parts 1 & 2 to Maryland Historical Trust
- Construction after approval of Parts 1 and 2
- Prepare Part 3 of Application – Certification (after construction)
- Use tax credit on income tax returns

Pros

- * \$ for \$ tax credit
- * Helping the community

Cons

- * Agency review of interior & exterior
- * 5 year restriction on changes after finished
- * Will pay Income tax on tax credits



www.preservationmaryland.org

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mht.maryland.gov



<https://www.energysvc.com/>

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- A locally designated structure of contributing resource to a local historic district that MHT determines to be eligible for the National Register

Expenses that Qualify for the Rehabilitation Tax Credit

Any expenditure for a structural component of a building will qualify for the rehabilitation tax credit. Treasury Regulation 1.48-1(e)(2) defines structural components to include walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, components of central air conditioning or heating systems, plumbing and plumbing fixtures, electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes, and other components related to the operation or maintenance of the building.

In addition to the above named "hard costs", there are "soft costs" which also qualify. *These include construction period interest and taxes, architect fees, engineering fees, construction management costs, reasonable developer fees, and any other fees paid that would normally be charged to a capital account.*

Are solar panels, wind turbines or geothermal systems eligible expenses?

Because IRS regulations define structural components to include all features (whether in, on, or adjacent to the building) of a central air conditioning or heating system, plumbing and plumbing fixtures, electric wiring, and other components relating to the operation or maintenance of a building, the function and purpose of a renewable energy system will determine if it is an eligible expense. **Solar panels, wind turbines, and geothermal systems that are essential to the operation or maintenance of the rehabilitated historic building should qualify for this tax credit. However, systems that produce electricity to back feed the power grid may not qualify.**

(Source: NPS.gov)

Historic Tax Credit QREs:

Costs associated with these items are generally **eligible**:

- Walls
- Partitions
- Floors
- Ceilings
- Permanent coverings, such as paneling or tiles
- Windows and doors
- Components of central air conditioning or heating systems
- Plumbing and plumbing fixtures
- Electrical wiring and lighting fixtures
- Chimneys
- Stairs
- Escalators, elevators, sprinkler systems, fire escapes
- Other components related to the operation or maintenance of the building
- Soft costs

Costs associated with these items are generally **not eligible**:

- Acquisition costs
- 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)
- Fencing
- Feasibility studies
- Financing fees
- Furniture
- Landscaping
- Leasing Expenses
- Moving (building) costs (if part of acquisition)
- New construction costs or enlargement costs (increase in total volume)
- 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

SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

Source: <https://www.nps.gov/tps/standards/rehabilitation.htm>

Rehabilitation projects must meet the following Standards, as interpreted by the National Park Service, to qualify as "certified rehabilitations" eligible historic tax credits. The Standards are applied to projects in a reasonable manner, taking into consideration economic and technical feasibility.

The Standards apply to historic buildings of all periods, styles, types, materials, and sizes. They apply to both the exterior and the interior of historic buildings. The Standards also encompass related landscape features and the building's site and environment as well as attached, adjacent, or related new construction.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a historic property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Heritage Structure Rehabilitation Tax Credit Program

Small Commercial Tax Credit

Administered by Maryland Historical Trust

The Heritage Structure Rehabilitation tax credit program includes credits for small commercial properties. This new category will help fund modest rehabilitation projects such as roof repair and façade restoration. Eligible projects may receive a state income tax credit up to 20 percent of qualified rehabilitation expenditures.

Small commercial rehabilitations cannot exceed \$500,000 in expenses, and the credit is capped at \$50,000 in a 24-month period.

MHT will accept applications for the Small Commercial Tax Credit beginning September 1 for preliminary review. Projects cannot begin work and will not be certified prior to January 1, 2015.

Eligibility

Buildings must be income-producing and contain no more than 75 percent residential rental use. A main street business with a top floor apartment is an example of a small commercial property. Each building must be certified as historic, defined as having at least one of the following designations:

- ❖ Individually listed in the National Register of Historic Places
- ❖ A contributing resource within a National Register Historic District
- ❖ A locally designated structure or contributing resource to a local historic district that MHT determines to be eligible for the National Register
- ❖ Located within and certified as contributing to the significance of a Certified Heritage Area

Learn more:

Megan Klem, megan.klem@maryland.gov, 410-697-9560
mht.maryland.gov/taxcredits_small_commercial.shtml



Heritage Structure Rehabilitation Tax Credit Program

Homeowner Tax Credit

Administered by Maryland Historical Trust

Homeowners can earn a state income tax credit for renovating historic homes. The tax credit offers homeowners of single-family, owner-occupied residences up to 20 percent of eligible rehabilitation costs. Tax credits may be used for repairs such as:

- ❖ Roof repair and replacement
- ❖ Chimney repair and lining
- ❖ Window restoration
- ❖ New storm doors/windows
- ❖ Masonry repointing
- ❖ Floor refinishing

Eligibility

Buildings must be certified as historic, defined as having at least one of the following designations:

- ❖ Individually listed in the National Register of Historic Places
- ❖ A contributing resource within a National Register Historic District
- ❖ A locally designated structure or contributing resource to a local historic district that MHT determines to be eligible for the National Register

The credit is capped at \$50,000 in a 24-month period and projects must have a minimum of \$5,000 of eligible expenses to qualify. Applications are accepted year round; MHT review runs approximately 30-45 days.

Learn more:

Megan Klem, megan.klem@maryland.gov, 410-697-9560
mht.maryland.gov/taxcredits_homeowner.shtml

