Historic Homes Rehabilitation Tax Credit

CT GENERAL STATUTE § 10-416
Historic Homes Rehabilitation Tax Credit

1. The Basics
2. Application Process
3. Calculation
4. Qualifying Work
What is the State Historic Preservation Office?

- Started as the CT Historical Commission in 1955
- Became the State Historic Preservation Office in 1966 with the creation of the National Historic Preservation Act
- SHPOs in all 50 states, U.S. territories, and Washington, D.C.
- Purpose is to carry out the laws and regulations of the NHPA to avoid negative impacts on historic resources
- Administers State and National Register programs, grant programs, and three historic rehabilitation tax credits
Historic Homes Rehabilitation Tax Credit

- Codified in the CT General Statutes (C.G.S. § 10-416)
- Established in 2000
- $3 million dollars set aside each year

Between 2013 and 2017:
- 451 projects
- Over $5.8M in tax credits
- Over $26.0M in total project costs
Historic Homes Rehabilitation Tax Credit

Distribution of projects between 2013-2017
The Basics
Historic Homes Rehabilitation Tax Credit

- 30% tax credit on qualified rehabilitation expenditures
- $15,000 minimum project cost
- Per project cap of $30,000 per dwelling unit
Historic Homes Rehabilitation Tax Credit

Eligibility
• Connecticut taxpayer who possesses title, or prospective title, to an historic home
• Nonprofit corporation that possesses such title or prospective title
• Owner-occupied properties with 1 – 4 units
• Primary, not seasonal residences
• Properties listed on the State or National Register of Historic Places
How do you know if your property is listed on the State or National Register?

- Database of four coastal counties:
  http://www.cultureandtourism.org/cct/cwp/view.asp?a=3933&q=293858
Historic Homes Rehabilitation Tax Credit

Who can use the Tax Credit?

- Not the individual homeowner
- Not the non-profit organization
- Only corporations paying taxes under C.G.S. Chapters 207-212
Application Process

Instructions and application forms available at www.decd.org
Application Process - 4 Parts

Part 1-Request For Historic Property Determination

- Listed on the State or National Register of Historic Places individually or as part of an Historic District
- Photos of each elevation
- Streetscape photo
- Photos of outbuilding(s)

Instructions and application forms available at www.decd.org
Application Process - Cont’d

Part 2-Request for Certification of Proposed Rehabilitation Work

- Detailed work plan
- Photos
- Budget based on contractor estimates
- Drawings, material specifications, and other supplemental information

Instructions and application forms available at www.decd.org
Application Process - Cont’d

Part 2 - Request for Certification of Proposed Rehabilitation Work

- Detailed work plan
- Photos
- Budget based on contractor estimates
- Drawings, material specifications, and other supplemental information

Tax Credit Reservation is issued
Reservation valid for 5 years from date of issuance

Instructions and application forms available at www.decd.org
**Part 2-Amendment**

- Detailed work plan for anything *not previously approved*
- To ensure ongoing compliance with the Standards for Rehabilitation
- Does not provide for increasing the Tax Credit Reservation

*Instructions and application forms available at www.decd.org*
Part 3-Request for Certification of Completed Rehabilitation Work

- Photos of completed work
  - Mirroring those included in your Part 2 application
- Financial documentation
  - Budget
  - Proof of payment (cancelled checks, credit card receipts, invoices)

Instructions and application forms available at www.decd.org
Part 4: Request for Issuance of Tax Credit Voucher

- RTC-4—Assignment of Tax Credit Voucher
- RTC-4-1—Owner-Occupancy Assurance Statement
- RTC-4-2—Contributing Taxpayer Statement of Funds Transactions
- RTC-4-3—Owner Certification of Taxpayer as Contributing

Instructions and application forms available at www.decd.org
Part 4: Request for Issuance of Tax Credit Voucher

- RTC-4—Assignment of Tax Credit Voucher
- RTC-4-1—Owner-Occupancy Assurance Statement
- RTC-4-2—Contributing Taxpayer Statement of Funds Transactions
- RTC-4-3—Owner Certification of Taxpayer as Contributing

Instructions and application forms available at www.decd.org
Application Process - Cont’d

Part 4: Request for Issuance of Tax Credit Voucher

- RTC-4—Assignment of Tax Credit Voucher
- RTC-4-1—Owner-Occupancy Assurance Statement
- RTC-4-2—Contributing Taxpayer Statement of Funds Transactions
- RTC-4-3—Owner Certification of Taxpayer as Contributing

Tax Credit Voucher is issued

Instructions and application forms available at www.decd.org
Application Process - Cont’d

- 30-day review period for each application
- Parts 1 & 2 and Parts 3 & 4 can be submitted together
- Photos should be labeled and a min. of 4x6” in size
- No electronic submissions

Instructions and application forms available at www.decd.org
Tax Credit Calculation
Tax Credit Calculation

Single-Family Home
Rehab costs = $150,000
**Tax Credit Calculation**

*Single-Family Home*
Rehab costs = $150,000  
$150,000 * 30% = $45,000
Single-Family Home
Rehab costs = $150,000
$150,000 * 30% = $45,000
Per project cap of $30,000 per unit
**Tax Credit Calculation**

*Single-Family Home*

Rehab costs = $150,000

$150,000 * 30% = $45,000

Per project cap of $30,000 per unit

Tax Credit = $30,000
Tax Credit Calculation

Duplex
Rehab costs of $150,000
$150,000 * 30% = $45,000
Per project cap of $30,000 per unit * 2 units = $60,000 max.
Tax Credit = $45,000

One unit must be owner-occupied
**Tax Credit Calculation**

*Duplex*
Rehab costs of $150,000  
$150,000 \times 30\% = $45,000  
Per project cap of $30,000 per unit \times 2\ units = $60,000 max.  
Tax Credit = $45,000

*4-unit House*
Rehab costs of $400,000  
$400,000 \times 30\% = $120,000  
Per project cap of $30,000 per unit \times 4\ units = $120,000 max.  
Tax Credit =$120,000

One unit must be owner-occupied
Final tax credit is equal to the lesser of either the reservation or 30% of final expenses
Final tax credit is equal to the lesser of either the reservation or 30% of final expenses

Example A

Estimated Budget = $75,000
Tax Credit Reservation = $22,500
**Tax Credit Calculation**

Final tax credit is equal to the *lesser* of either the reservation or 30% of final expenses

<table>
<thead>
<tr>
<th>Example A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Budget</td>
</tr>
<tr>
<td>Tax Credit Reservation</td>
</tr>
<tr>
<td>Actual Expenses</td>
</tr>
<tr>
<td>Tax Credit</td>
</tr>
</tbody>
</table>
Final tax credit is equal to the *lesser of either the reservation or 30% of final expenses*

<table>
<thead>
<tr>
<th>Example A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated Budget</strong></td>
</tr>
<tr>
<td><strong>Tax Credit Reservation</strong></td>
</tr>
<tr>
<td><strong>Actual Expenses</strong></td>
</tr>
<tr>
<td><strong>Tax Credit</strong></td>
</tr>
</tbody>
</table>
Final tax credit is equal to the lesser of either the reservation or 30% of final expenses

Example A

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Budget</td>
<td>$75,000</td>
</tr>
<tr>
<td>Tax Credit Reservation</td>
<td>$22,500</td>
</tr>
<tr>
<td>Actual Expenses</td>
<td>$60,000</td>
</tr>
<tr>
<td>Tax Credit</td>
<td>$18,000</td>
</tr>
</tbody>
</table>

Example B

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Budget</td>
<td>$75,000</td>
</tr>
<tr>
<td>Tax Credit Reservation</td>
<td>$22,500</td>
</tr>
</tbody>
</table>
Final tax credit is equal to the *lesser* of either the reservation or 30% of final expenses

### Example A

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Budget</td>
<td>$75,000</td>
</tr>
<tr>
<td>Tax Credit Reservation</td>
<td>$22,500</td>
</tr>
<tr>
<td>Actual Expenses</td>
<td>$60,000</td>
</tr>
<tr>
<td>Tax Credit</td>
<td>$18,000</td>
</tr>
</tbody>
</table>

### Example B

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Budget</td>
<td>$75,000</td>
</tr>
<tr>
<td>Tax Credit Reservation</td>
<td>$22,500</td>
</tr>
<tr>
<td>Actual Expenses</td>
<td>$100,000</td>
</tr>
<tr>
<td>30%</td>
<td>$30,000</td>
</tr>
</tbody>
</table>
**Final tax credit is equal to the lesser of either the reservation or 30% of final expenses**

**Example A**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Budget</td>
<td>$75,000</td>
</tr>
<tr>
<td>Tax Credit Reservation</td>
<td>$22,500</td>
</tr>
<tr>
<td>Actual Expenses</td>
<td>$60,000</td>
</tr>
<tr>
<td>Tax Credit</td>
<td>$18,000</td>
</tr>
</tbody>
</table>

**Example B**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Budget</td>
<td>$75,000</td>
</tr>
<tr>
<td>Tax Credit Reservation</td>
<td>$22,500</td>
</tr>
<tr>
<td>Actual Expenses</td>
<td>$100,000</td>
</tr>
<tr>
<td>30%</td>
<td>$30,000</td>
</tr>
<tr>
<td>Tax Credit</td>
<td>$22,500</td>
</tr>
</tbody>
</table>
In order to receive the full 30% tax credit allocation, at least 65% of the total qualifying rehabilitation expenditures must include work directly attributable to the long-term preservation of historic building fabric and character-defining features. (For all new applications received after April 15, 2015)
A project contains the following components:

1. New roof $15,000
2. Chimney repointing $5,000
3. Electrical upgrades $5,000
4. Kitchen renovation $60,000

Total project cost $85,000
A project contains the following components:

1. New roof $15,000
2. Chimney repointing $5,000
3. Electrical upgrades $5,000
4. Kitchen renovation $60,000

Total project cost $85,000
2015 Policy - Sample Calculation

A project contains the following components:

1. New roof $15,000
2. Chimney repointing $5,000
3. Electrical upgrades $5,000
4. Kitchen renovation $60,000

$25,000 total preservation costs
/$85,000 total project costs

29%

Total project cost $85,000
2015 Policy - Sample Calculation

A project contains the following components:
1. New roof $15,000
2. Chimney repointing $5,000
3. Electrical upgrades $5,000
4. Kitchen renovation $60,000

Total project cost $85,000

Preservation Related Costs: $25,000 / 65% $38,461.54

$25,000 total preservation costs
A project contains the following components:

1. New roof $15,000
2. Chimney repointing $5,000
3. Electrical upgrades $5,000
4. Kitchen renovation $60,000

Total project cost $85,000

Preservation Related Costs: $25,000
/ 65%
$38,461.54

Total Eligible Expenditures: $38,461.54
* 30%

Tax Credit Amount: $11,538.46
Qualifying Work
Secretary of Interior’s Standards for Rehabilitation

A set of national standards that promote historic preservation best practices.

Rehabilitation Standards and Guidelines

The Secretary of the Interior’s Standards for Rehabilitation, codified as 36 CFR 67, are regulatory for the Historic Preservation Tax Incentives program. The Guidelines for Rehabilitating Historic Buildings and the Guidelines on Sustainability for Rehabilitating Historic Buildings, which assist in applying the Standards, are advisory.

Secretary’s Standards for Rehabilitation

Rehabilitation projects must meet the following Standards, as interpreted by the National Park Service, to qualify as “certified rehabilitations” eligible for the 20% rehabilitation tax credit. 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.
Secretary of Interior’s Standards for Rehabilitation

*Highlights:*

- Historic character shall be retained and preserved
- Distinctive features, finishes, and construction techniques shall be preserved
- Changes to the building over time can garner their own significance even if they are not original
- Deteriorated historic features shall be repaired rather than replaced.
- Chemical or physical treatments that cause damage to historic materials shall not be used
- When 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, as well as material

[www.nps.gov/tps/standards/four-treatments/treatment-rehabilitation](http://www.nps.gov/tps/standards/four-treatments/treatment-rehabilitation)
## Qualified Rehabilitation Expenditures

Costs directly related to the repair or improvement of structural and architectural features of a historic building.

<table>
<thead>
<tr>
<th>Exterior</th>
<th>Mechanical systems</th>
<th>Interior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation</td>
<td>HVAC</td>
<td>Floors</td>
</tr>
<tr>
<td>Porches and steps</td>
<td>Plumbing</td>
<td>Walls</td>
</tr>
<tr>
<td>Windows</td>
<td>Electrical</td>
<td>Ceiling</td>
</tr>
<tr>
<td>Roof</td>
<td>Solar panels</td>
<td>Staircases and stair halls</td>
</tr>
<tr>
<td>Gutters/downspouts</td>
<td></td>
<td>Original decorative details</td>
</tr>
<tr>
<td>Chimneys</td>
<td></td>
<td>Original built-in millwork</td>
</tr>
<tr>
<td>Siding</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Ineligible Expenditures

- Soft costs
  - E.g. permits; fees; architectural, engineering, and design costs
- Site work
  - E.g. landscaping, driveways, fences
- Appliances
  - E.g. moveable laundry and kitchen appliances
- Interior finishes
  - E.g. blinds, shades, lamps
- New Construction
- Personal labor
Work Generally Not Approved

- Replacement windows
- Altering window and/or door placement
- Spray-foam insulation
- Replacing “Yankee” or built-in gutters
- Power-washing exterior
- Plastic/vinyl siding or trim

Only 10% of heat loss occurs through windows
Work Generally Not Approved

- Replacement windows
- Altering window and/or door placement
- Spray-foam insulation
- Replacing “Yankee” or built-in gutters
- Power-washing exterior
- Plastic/vinyl siding or trim
Work Generally Not Approved

- Replacement windows
- Altering window and/or door placement
- Spray-foam insulation
- Replacing “Yankee” or built-in gutters
- Power-washing exterior
- Plastic/vinyl siding or trim
Work Generally Not Approved

- Replacement windows
- Altering window and/or door placement
- Spray-foam insulation
- Replacing “Yankee” or built-in gutters
- Power-washing exterior
- Plastic/vinyl siding or trim
Work Generally Not Approved

- Replacement windows
- Altering window and/or door placement
- Spray-foam insulation
- Replacing “Yankee” or built-in gutters
- Power-washing exterior
- Plastic/vinyl siding or trim
Work Generally Not Approved

- Replacement windows
- Altering window and/or door placement
- Spray-foam insulation
- Replacing “Yankee” or built-in gutters
- Power-washing exterior
- Plastic/vinyl siding or trim
All work carried out during the tax credit period must be reviewed for conformance with the Standards for Rehabilitation
Project Examples

Exterior Painting and Carpentry Repairs

Before

After
Project Examples
Exterior Painting and Carpentry Repairs

Before

After
Project Examples
Window Restoration

Before

After

Before

After
Project Examples

Porch Repair and Restoration

Before

After

Before

After
Project Examples

Masonry Restoration

Before

After

Before

After
Project Examples

Roof Repair and Replacement

Before

After

Before

After
Project Examples
Interior Millwork Restoration
Project Examples

*Interior Plaster Repairs*
Project Examples

Outbuilding Restoration

Before

After
F.A.Q.s

- Can I remove the front porch to restore the original look of the house?
- My neighbor did it, why can’t I?
- If I update my bathroom with “period-appropriate” finishes does that qualify as preserving the character-defining features of the home?
- What are “character-defining features”? 
Tips for a Successful & Expedient Application Process

- Read the instructions and submit a complete application
- Get approval before starting work
- Keep a duplicate of your application
- Maintain detailed records of expenditures
- Don’t wait until it’s an emergency
Tips for a Successful & Expedient Application Process

- Program instructions and application templates:
  https://portal.ct.gov/DECD/Content/Historic-Preservation/02_Review_Funding_Opportunities/Tax-Credits/Historic-Homes-Rehabilitation-Tax-Credit

- Database of four coastal counties:
  https://portal.ct.gov/DECD/Content/Historic-Preservation/03_Technical_Assistance_Research/Research/Historic-Property-Database

- Standards for Rehabilitation:
  www.nps.gov/tps/standards/rehabilitation.htm

- Common Historic Preservation Work:
  www.nps.gov/tps/how-to-preserve/briefs.htm

- Case Studies in Historic Preservation:
  www.nps.gov/tps/how-to-preserve/tech-notes.htm

- Sustainability and Historic Preservation:
  www.nps.gov/tps/sustainability.htm

Alyssa Lozupone
alyssa.lozupone@ct.gov
860.500.2426

Check out our YouTube Channel!