

# COLORADO STATE INCOME TAX CREDITS FOR HISTORIC REHABILITATION

- Commercial
  - Available for buildings owned or leased by a private non-profit or municipality
    - Must be designated at the federal, state or local level prior to end of project
    - Minimum expenditures must exceed \$20,000
    - Must have potential to generate revenue
    - Non-profit organizations can sell tax credits
    - If listed in the National Register, a federal tax credit of 20% can be paired with the Colorado tax credit
    - Credit is 20% of expenditures, with additional percentage for rural and disaster areas
    - Owners must apply to reserve the credits; can be challenging.

# COLORADO STATE INCOME TAX CREDITS FOR HISTORIC REHABILITATION

- Residential
  - Available for any type of residential property so long as it is a private residence.
    - Must be designated at the federal, state or local level prior to end of project.
    - Minimum expenditures must exceed \$5,000.
    - Maximum expenditures qualifying for tax credits is \$500,000.
    - Maximum tax credit is \$100,000.
    - Photographs documenting conditions prior to rehabilitation is needed when historic fabric is involved
    - Photographs documenting conditions prior to rehabilitation is needed when historic fabric is involved.
    - Unused credits stay with the owner to be used within 10 years.
    - Credit is 20% of expenditures, with additional percentage for rural and disaster areas.

# WHAT DO REHABILITATION TAX CREDITS INVOLVE?

- Historic rehabilitation is process of restoring a property to a usable state while preserving its historic, architectural, and cultural value.
- Historic rehabilitation has the capacity to meet a new need or alter a historic property to meet continuing or changing uses while retaining the property's historic character
- All work must meet the Secretary of the Interior's Standards for Rehabilitation
- The Standards pertain to historic buildings of all materials, construction types, sizes, and occupancy including exterior and interior, landscape and new construction or adjacent.
- The program is administered by History Colorado

# WHAT WORK COUNTS AS QUALIFIED COSTS ELIGIBLE FOR TAX CREDITS

- Roofs, foundations, masonry, siding
- Electrical, mechanical, plumbing, hvac systems
- Windows
- New construction complementing the existing structure
- Flooring
- Historic finishes
- Interior work to enable changing uses

# WHAT COSTS DO NOT COUNT AS ELIGIBLE FOR TAX CREDIT

- Costs associated with
  - Acquisition
  - Appraisals
  - Permits
  - Fees – Legal, Accounting or Realty
  - Paving
  - Landscaping
  - Lawn watering systems
  - Solar panels
  - Heat pumps
  - New additions or accessory buildings
  - Repairs to additions constructed after the identified period of significance
  - Interior furnishings
  - Carpeting tacked, not glued

# TAX CREDIT RECENT CHANGES OF JUNE 2024 REAUTHORIZATION

- The Colorado Job Creation and Main Street Revitalization Act of 2014 was updated in February 2021.
- Lowered property age eligibility to 30 years
- Lengthened time for taxpayer claims through 2037
- Lengthened time for reserving commercial credits
- Shortened past expenditures lookback to 12 months
- Increased maximum credits to \$100,000
- Disaster area adjustments
- Funding of a commercial rehab pool
- In 2027, credits can be refundable instead of transferable

# CASE STUDY

- 1 story craftsman bungalow, full width recessed porch with north half enclosed with glass, stucco exterior.
- Listed as a contributing structure in a National Register of Historic Places district.
- Owner-occupant sought to replace an old furnace and also install an air conditioning system with outdoor compressor.

# PROCESS

- PART 1 Reservation application:
  - Application form for preliminary approval
  - Application fee of \$250.
  - Narrative discussing work
  - Photos of historic fabric
- Notification of Certification by Colorado State Historic Preservation Office
- PART 2 Issuance Application
  - Application form for Final Approval (filed within 60 days of completion of project)
  - Additional fees (if required, sliding scale) Photographs of finished work
  - Schedule of costs of qualified and non-qualified work
  - Photographs of completed work
- Review/Award by Colorado State Historic Preservation Office



# PROJECTED WORK

## 1. Furnace

- a. Remove cast iron furnace
- b. Install new gas furnace

## 2. Air conditioner

- a. Install new air conditioning unit with exterior compressor

Estimated costs \$17,000

Projected tax credits = \$3,400

# REHABILITATION WORK

## 1. Furnace

- a. Remove cast iron furnace
- b. Install new gas furnace
- c. Install humidifier**

## 2. Air conditioner

- a. Install new air conditioning unit with exterior compressor

## OTHER WORK NOT INCLUDED IN PRELIMINARY APPROVAL

## 3. Electric.

- a. Upgrade electric service
- b. Replace outlets, switches and light receptacles

## 4. Wood floors

- a. Refinish wood flooring in the bathroom and master bedroom

## 5. Gutters.

- a. Install gutters on house

## 6. Water.

- a. Install new water service line
- b. Install two sewer cleanouts

# FINAL APPROVAL

Total certified rehabilitation costs	\$25,433.58
Total Tax Credit application fee	<u>500.00</u>

Total Outlay	\$25,933.58
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Tax Credit (20% of certified costs)	\$5,086.72
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Project Initiation	August 1, 2007
Application for Preliminary Approval	May 19, 2008
Preliminary Approval	June 22, 2008
Work completion	November 7, 2008
Application submitted	December 23, 2008
Final Approval	February 24, 2009