

# Tax Incentives for Historic Preservation in New Haven

## What you need to know about State and Federal tax credits for rehabilitation:

- what is the Connecticut Historic Homes Rehabilitation Tax Credit Program?
- what is the Federal Historic Preservation Tax Incentives Program?
- how do you apply for these programs?



Photograph by Bruce Clouette

## The Eli 227 Church Street

Since its inception in 1976, the Federal Historic Preservation Tax Incentives Program has generated over \$33 billion in historic preservation activity nationwide, providing a 5 to 1 ratio of private investment to federal tax credits. As of 2004, over 32,000 rehabilitation projects had been certified, a number of them within the City of New Haven. Included is the former Southern New England Telephone Company Administration Building constructed in 1938 (the taller building in photograph), which has been renovated into luxury apartments.

## For more information:

*...about qualifying for either the Connecticut Historic Homes Rehabilitation Tax Credit Program or the Federal Historic Preservation Tax Credit Program, and where to obtain application materials, contact:*

Connecticut Commission on Culture & Tourism  
Historic Preservation and Museum Division  
59 South Prospect Street  
Hartford, Connecticut 06106  
(860) 566-3005  
E-MAIL [linda.spencer@po.state.ct.us](mailto:linda.spencer@po.state.ct.us)  
WEB [www.culturandtourism.org](http://www.culturandtourism.org)

*...about completing either a state or federal tax credit application form, contact:*

The New Haven Preservation Trust  
934 State Street  
P.O. Box 1671  
New Haven, Connecticut 06507  
(203) 562-5919  
E-MAIL [nhpt@sbcglobal.net](mailto:nhpt@sbcglobal.net)  
WEB [www.nhpt.org](http://www.nhpt.org)

# Tax Incentives for Historic Preservation in New Haven

## What is the Connecticut Historic Homes Rehabilitation Tax Credit Program?

The Connecticut Historic Homes Rehabilitation Tax Credit Program:

- *allows the state to allocate up to \$3 million per fiscal year in corporate tax credits*
- *provides a tax credit equal to 30% of qualified rehabilitation expenditures, up to a maximum of \$30,000 per unit of housing*

An applicant has to possess title, or prospective title, and can be an existing homeowner, a “for-profit” developer, or a non-profit housing corporation.

Rehabilitation expenditures must be \$25,000 or more, and can include costs for interior and/or exterior work. Expenditures for site improvements are excluded.

Upon completion of the rehabilitation work, at least one unit must be owner-occupied for a period of no less than five years, and the property must continue to be income producing, or the tax credit will be subject to repayment.

Property owners should obtain prior approval for rehabilitation work in order to qualify; completed work or “work-in-progress” does not normally qualify for the tax credit.

## How do you apply for the Connecticut Historic Homes Rehabilitation Tax Credit Program?

An owner is required to submit a rehabilitation plan and cost estimate to the Historic Preservation and Museum Division of the Connecticut Commission on Culture & Tourism, which must approve the project before work can begin. A tax credit voucher will be issued only upon successful completion of the project. The tax credit must be claimed for the tax year in which the voucher is issued (although unused credits can be carried forward up to four years following issuance).

Between 2002 and 2005, the Connecticut Historic Homes Rehabilitation Tax Credit Program has stimulated nearly \$5 million in local rehabilitation expenditures. Approximately \$1.5 million in state tax credits have been issued for renovations to New Haven housing.

Applications may be obtained from the Connecticut Commission on Culture & Tourism. The following forms are required:

- *part 1 — “Request for Historic Property Determination”*
- *part 2 — “Request for Certification of Proposed Rehabilitation Work”*
- *part 3 — “Request for Certification of Completed Rehabilitation Work”*
- *“Request for Issuance of Tax Credit Voucher”*

Parts 1 and 2 of the application may be filed separately or together; Part 3 is submitted upon completion of the rehabilitation work. Only after Part 3 is approved (which is usually a thirty-day process) will the tax credit voucher be issued.

With the exception of non-profit housing corporations, the owner must file a Connecticut tax return. However, the tax credits can not be used directly against a personal state income tax; instead, they come through a corporation that pays taxes under chapters 207–212 of the Connecticut General Statutes, such as a general business corporation, an insurance company, or a bank. The corporation, in turn, reimburses the owner.

### **What is the Federal Historic Preservation Tax Incentives Program?**

The Federal Historic Preservation Tax Incentives Program is a national program established in 1976 to support private sector rehabilitation of income-producing historic buildings and to encourage the preservation of industrial, commercial and rental residential buildings that are individually listed on the National Register of Historic Places or certified as contributing buildings within National Register Historic Districts.

Under the program, a percentage of the costs incurred in rehabilitating a property may be used as a tax credit when filing a federal income tax return. Unlike income tax deductions, which lower the amount of income that is subject to taxation, tax credits decrease the actual amount of taxes owed. Generally, a dollar of tax credit reduces the amount of income tax owed by one dollar.

The tax incentives for historic preservation currently in place were established under the Tax Reform Act of 1986. These include:

- a 20% tax credit for the rehabilitation of certified historic structures (equal to 20% of the amount spent on rehabilitation)
- a 10% tax credit for the rehabilitation of non-residential buildings built before 1936 that have not been certified as historic structures (equal to 10% of the rehabilitation costs)

The law also permits depreciation of rehabilitation costs over 27.5 years for a rental residential property, and over 31.5 years for non-residential property.

### How do you apply for the Federal Historic Preservation Tax Incentives Program?

An owner must complete an Historic Preservation Certification Application (Form 10-168) which can be obtained from either the State Historic Preservation Office or the National Park Service Regional Offices. The Historic Preservation Certification Application is divided into three parts:

- part 1 — “Evaluation of Significance”
- part 2 — “Description of Rehabilitation”
- part 3 — “Completed Work”

Part 1 of the application must be completed if a building is located within a National Register Historic District. It does not have to be completed if a building is individually listed on the National Register of Historic Places.

All applications are submitted to the State Historic Preservation Officer, who reviews them before they are submitted to the National Park Service. Except in cases where the total rehabilitation cost is less than \$20,000, the Park Service charges a fee for reviewing rehabilitation requests that is based upon the total cost of the rehabilitation project.

## About State and Federal Tax Credits

State and federal tax incentives have been established to stimulate capital investment in the preservation of historic properties.

**STATE INCENTIVES** The Connecticut Historic Homes Rehabilitation Tax Credit Program provides state income tax credits for the rehabilitation of owner-occupied residential buildings of 1–4 units that are listed on either the National Register of Historic Places or the State Register of Historic Places. The program, administered by the Historic Preservation and Museum Division of the Connecticut Commission on Culture & Tourism, is intended to encourage new homeownership and to assist existing homeowners in maintaining or renovating their property.

**FEDERAL INCENTIVES** The Federal Historic Preservation Tax Incentives Program provides federal income tax credits for the rehabilitation of income-producing residential, commercial or industrial buildings that are listed on the National Register of Historic Places. It is administered by the National Park Service, U.S. Department of the Interior, in partnership with the State Historic Preservation Officer in each State, and the Internal Revenue Service, U.S. Department of the Treasury.