

Demolition Provisions

The Tax Reform Act provides that an owner or lessee of a **certified historic structure** cannot deduct expenditures or losses resulting from demolition of the structure. For the purpose of the provision regarding demolition costs, any structure located in a **registered historic district** will be treated as a **certified historic structure** unless the Secretary of the Interior has determined, prior to the demolition of the structure, that it is **not** of historic significance to the district. This provision of the act applies to demolitions beginning after June 30, 1976, and before January 1, 1981.

The act also prohibits the use of accelerated depreciation for any structure in whole or in part constructed, reconstructed, erected, or used on a site that was occupied by a **certified historic structure** that has been demolished or substantially altered other than by a **certified rehabilitation**. The provision concerning denial of accelerated depreciation applies to expenditures on construction, reconstruction, or erection of a structure after December 31, 1975, and before January 1, 1981.

For Further Information

Additional information on the certification processes and guidelines for applying the Secretary of the Interior's Standards for Rehabilitation is available from the appropriate SHPO or by writing to

Tax Reform Act
Office of Archeology and Historic
Preservation
U.S. Department of the Interior
Washington, D.C. 20240

The procedures for obtaining certifications in accordance with Section 2124 of the Tax Reform Act of 1976 are explained in Title 36 of the Code of Federal Regulations, Part 67. These regulations control in the event of any inconsistency with this leaflet.

As tax aspects of Section 2124 of the Tax Reform Act are complex, individuals

should consult legal counsel or the appropriate local Internal Revenue Service office for assistance in determining the tax consequences of the provisions described above. Descriptions of tax consequences in this leaflet are for general informational purposes only.

The Secretary of the Interior's Standards for Evaluating Structures within Registered Historic Districts

(a) A structure contributing to the historic significance of a district is one which by location, design, setting, materials, workmanship, feeling and association adds to the district's sense of time and place and historic development.

(b) A structure not contributing to the historic significance of a district is one which detracts from the district's sense of time and place and historic development intrinsically; or when the integrity of the original design or individual architectural features or spaces have been irretrievably lost.

(c) Ordinarily structures that have been built within the past 50 years shall not be considered eligible unless a strong justification concerning their historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

The Secretary of the Interior's Standards for Rehabilitation

1. Every reasonable effort shall be made to provide a compatible use for a property which requires minimal alteration of the building, structure, or site and its environment, or to use a property for its originally intended purpose.

2. The distinguishing original qualities or character of a building, structure, or site and its environment shall not be destroyed. The removal or alteration of any historic material or distinctive architectural features should be avoided when possible.

3. All buildings, structures, and sites shall be recognized as products of their own time. Alterations that have no historical

basis and which seek to create an earlier appearance shall be discouraged.

4. Changes which may have taken place in the course of time are evidence of the history and development of a building, structure, or site and its environment. These changes may have acquired significance in their own right, and this significance shall be recognized and respected.

5. Distinctive stylistic features or examples of skilled craftsmanship which characterize a building, structure, or site shall be treated with sensitivity.

6. Deteriorated architectural features shall be repaired rather than replaced, wherever possible. In the event replacement is necessary, the new material should match the material being replaced in composition, design, color, texture, and other visual qualities. Repair or replacement of missing architectural features should be based on accurate duplications of features, substantiated by historic, physical, or pictorial evidence rather than on conjectural designs or the availability of different architectural elements from other buildings or structures.

7. The surface cleaning of structures shall be undertaken with the gentlest means possible. Sandblasting and other cleaning methods that will damage the historic building materials shall not be undertaken.

8. Every reasonable effort shall be made to protect and preserve archeological resources affected by, or adjacent to, any project.

9. Contemporary design for alterations and additions to existing properties shall not be discouraged when such alterations and additions do not destroy significant historical, architectural or cultural material, and such design is compatible with the size, scale, color, material, and character of the property, neighborhood or environment.

10. Wherever possible, new additions or alterations to structures shall be done in such a manner that if such additions or alterations were to be removed in the future, the essential form and integrity of the structure would be unimpaired.

State Historic Preservation Officers

Alabama: Director, Alabama Department of Archives and History, Chairman, Alabama Historical Commission, Archives and History Building, Montgomery, Alabama 36104. **Alaska:** Chief of History and Archeology, Division of Parks, Department of Natural Resources, 619 Warehouse Avenue, Suite 210, Anchorage, Alaska 99501. **American Samoa:** Territorial Historic Preservation Officer, Department of Public Works, Government of American Samoa, Pago Pago, American Samoa 96799. **Arizona:** Chief, Natural and Cultural Resource Conservation Section, Arizona State Parks, 1688 West Adams, Phoenix, Arizona 85007. **Arkansas:** Director, Arkansas Historic Preservation Program, Suite 500, Continental Building, Markham and Main Streets, Little Rock, Arkansas 72201. **California:** Office of Historic Preservation, California Department of Parks & Recreation, P.O. Box 2390, Sacramento, California 95811. **Colorado:** State Historic Preservation Officer, Colorado Heritage Center, 1300 Broadway, Denver, Colorado 80203. **Connecticut:** Director, Connecticut Historical Commission, 59 South Prospect Street, Hartford, Connecticut 06106. **Delaware:** Director, Division of Historical and Cultural Affairs, Hall of Records, Dover, Delaware 19901. **District of Columbia:** Director, Department of Housing and Community Development, 1325 G Street, NW., Washington, D.C. 20005. **Florida:** Deputy Secretary of State, The Capitol, Tallahassee, Florida 32304. **Georgia:** Chief, Historic Preservation Section, Department of Natural Resources, 270 Washington Street, SW., Room 703-C, Atlanta, Georgia 30334. **Guam:** Director of Parks and Recreation, Government of Guam, P.O. Box 682, Agaña, Guam 96910. **Hawaii:** Department of Land and Natural Resources, P.O. Box 621, Honolulu, Hawaii 96809. **Idaho:** Historic Preservation Coordinator, Idaho Historical Society, 610 North Julia Davis Drive, Boise, Idaho 83706. **Illinois:** Director, Department of Conservation, 602 State Office Building, 400 South Spring Street, Springfield, Illinois 62706. **Indiana:** Director, Department of Natural Resources, 608 State Office Building, Indianapolis, Indiana 46204. **Iowa:** Director, Iowa State Historical Dept., Division of Historic Preservation, 26 East Market Street, Iowa City, Iowa 52240. **Kansas:** Executive Director, Kansas State Historical Society, 120 West 10th Street, Topeka, Kansas 66612. **Kentucky:** Director, Kentucky Heritage Commission, 104 Bridge Street, Frankfort, Kentucky 40601. **Louisiana:** Assistant Secretary, Office of Program Development, P.O. Box 44247, Baton Rouge, Louisiana 70804. **Maine:** Director, Maine Historic Preservation Commission, 31 Western Avenue, Augusta, Maine 04330. **Maryland:** John Shaw House, 21 State Circle, Annapolis, Maryland 21401. **Massachusetts:** Executive Director, Massachusetts Historical Commission, 294 Washington Street, Boston, Massachusetts 02108. **Michigan:** Director, Michigan History Division, Department of State, Lansing, Michigan 48918. **Minnesota:** Director, Minnesota Historical Society, 690 Cedar Street, St. Paul, Minnesota 55101. **Mississippi:** Director, State of Mississippi, Department of Archives and History, P.O. Box 571, Jackson, Mississippi 39205. **Missouri:** Director, State Department of Natural Resources, P.O. Box 176, Jefferson City, Missouri 65102. **Montana:** Director, Montana Historical Society, 225 North Roberts Street, Veterans Memorial Building, Helena, Montana 59601. **Nebraska:** Director, The Nebraska State Historical

Society, 1500 R Street, Lincoln, Nebraska 68508. **Nevada:** Division of Historic Preservation and Archeology, Department of Conservation & Natural Resources, Nye Building, 201 South Fall Street, Carson City, Nevada 89710. **New Hampshire:** Commissioner, Department of Resources, and Economic Development, P.O. Box 846, Concord, New Hampshire 03301. **New Jersey:** Commissioner, Department of Environmental Protection, P.O. Box 1420, Trenton, New Jersey 08625. **New Mexico:** New Mexico Historic Preservation Program, Educational Finance and Cultural Affairs Department, c/o New Mexico State Library, P.O. Box 1629, Santa Fe, New Mexico 87503. **New York:** Commissioner, Parks and Recreation, Agency Building # 1, Empire State Plaza, Albany, New York 12238. **North Carolina:** Director, Division of Archives and History, Department of Cultural Resources, 109 East Jones Street, Raleigh, North Carolina 27611. **North Dakota:** Superintendent, State Historical Society of North Dakota, Liberty Memorial Building, Bismarck, North Dakota 58501. **Ohio:** Director, The Ohio Historical Society, Interstate 71 at 17th Avenue, Columbus, Ohio 43211. **Oklahoma:** 235 Pasteur Building, 1111 North Lee, Oklahoma City, Oklahoma 73103. **Oregon:** State Parks Superintendent, 525 Trade Street, SE., Salem, Oregon 97310. **Pennsylvania:** Executive Director, Pennsylvania Historical and Museum Commission, P.O. Box 1026, Harrisburg, Pennsylvania 17120. **Commonwealth of Puerto Rico:** Institute of Puerto Rico Culture, Apartado 4184, San Juan, Puerto Rico 00905. **Rhode Island:** Director, Rhode Island Department of Community Affairs, 150 Washington Street, Providence, Rhode Island 02903. **South Carolina:** Director, State Archives Department, 1430 Senate Street, Columbia, South Carolina 29211. **South Dakota:** Historical Preservation Center, University of South Dakota, Alumni House, Vermillion, South Dakota 57069. **Tennessee:** Executive Director, Tennessee Historical Commission, 170 Second Avenue North, Suite 100, Nashville, Tennessee 37219. **Texas:** Executive Director, Texas State Historical Commission, P.O. Box 12276, Capitol Station, Austin, Texas 78711. **Trust Territory of The Pacific Islands:** Land Resources Branch, Department of Resources & Development, Trust Territory of the Pacific Islands, Saipan, Mariana Islands 96950. **Utah:** Executive Director, Department of Development Services, Room 104, State Capitol, Salt Lake City, Utah 84114. **Vermont:** Director, Vermont Division for Historic Preservation, Pavilion Office Building, Montpelier, Vermont 05602. **Virginia:** Virginia Historic Landmarks Commission, 221 Governor Street, Richmond, Virginia 23219. **Virgin Islands:** Planning Director, Virgin Islands Planning Board, Charlotte Amalie, St. Thomas, Virgin Islands 00801. **Washington:** State Historic Preservation Officer, 111 West 21st Avenue, KL-11, Olympia, Washington 98504. **West Virginia:** Historic Preservation Unit, Department of Culture and History, State Capitol Complex, Charleston, West Virginia 25305. **Wisconsin:** Director, State Historical Society of Wisconsin, 816 State Street, Madison, Wisconsin 53706. **Wyoming:** Director, Wyoming Recreation Commission, 604 East 25th Street, Box 309, Cheyenne, Wyoming 82001. **National Trust for Historic Preservation:** President, National Trust for Historic Preservation, 740 Jackson Place, NW., Washington, D.C. 20006.

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Heritage Conservation and Recreation Service
Office of Archeology and Historic Preservation
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TAX INCENTIVES FOR REHABILITATING HISTORIC BUILDINGS



Tax Incentives for Rehabilitating Historic Buildings

Important tax incentives for the preservation and rehabilitation of historic structures were established by Section 2124 of the Tax Reform Act of 1976 (Public Law 94-455). Signed into law October 4, 1976, the act amended the Federal Income Tax Code with provisions to

- stimulate preservation of historic commercial and income-producing structures by allowing favorable tax treatments for rehabilitations; and
- discourage destruction of historic buildings by reducing tax incentives both for demolition of historic structures and for new construction on the site of demolished historic buildings.

These preservation provisions permit owners of certain depreciable properties to amortize the costs of a rehabilitation over a five-year period or to depreciate the costs of a substantially rehabilitated structure at an accelerated rate.



Little Rock, Arkansas Credit: Baird M. Smith
Cover: Corning, New York Credit: Kellogg Studio

To qualify for the tax incentives, property owners must complete a two-part **Historic Preservation Certification Application** and secure certifications from the Secretary of the Interior regarding

- the historic character of a structure, and
- the quality of the rehabilitation work performed on a structure.

Owners of properties listed in the National Register of Historic Places (a listing maintained by the Department of the Interior) either individually or within districts are eligible to apply for certifications. Owners of properties located in State or local districts which are not listed in the National Register may also apply for certifications if the statutes under which the districts were established have been certified by the Secretary of the Interior. **Historic Preservation Certification Applications** are available from the appropriate State Historic Preservation Officer (SHPO). (A listing of these officials is printed elsewhere in this leaflet.)

Definitions of terms used in the act and the procedures for obtaining certifications are outlined below.

Historic Structures and Rehabilitations Affected by the Tax Reform Act

Preservation tax incentives are available for any project which the Secretary designates as a **certified rehabilitation** of a **certified historic structure**.

A **certified historic structure** is any structure, subject to depreciation as defined by the Internal Revenue Code, which is

- listed individually in the National Register of Historic Places; or
- located in a National Register Historic District and certified by the Secretary of the Interior as being of historic significance to the district; or
- located in an historic district designated under a statute of the appropriate State or local government if the statute is certified by the Secretary of the Interior.



A **certified rehabilitation** is

- any rehabilitation of a **certified historic structure** that the Secretary of the Interior has determined is consistent with the historic character of the property and/or the district in which the property is located.

The Internal Revenue Code limits depreciation deductions to structures used in a trade or business or held for the production of income, such as commercial or residential rental properties.

Certification of Historic District Statutes

A property located in a State or local, rather than National Register, historic district can qualify for the benefits of the tax incentives in the act if the statute or ordinance creating the district has been certified by the Secretary of the Interior and if the property is certified as contributing to the significance of the district. To be eligible for certification, statutes establishing a district or districts must contain criteria which substantially achieve the purpose of preserving and rehabilitating buildings of historic significance to the district. At a minimum the statute should provide for a duly designated review body, such as a board or commission, with the power to review proposed alterations to structures within the designated districts.

The request for certification of a State or local statute must be made to the appropriate SHPO by an authorized representative of the governmental body which enacted the law. Documentation for the application must include copies of the statute and, in the case of local historic district statutes, copies of applicable state enabling legislation. The SHPO reviews the documentation and forwards it with a recommendation to the National Register Division of the Department of the Interior. Notification of certification by the National Register Division is sent directly to the authorized representative.

Certification of Properties Individually Listed on the National Register

All individually listed National Register properties are considered **certified historic structures** if they are subject to depreciation. Owners of these properties do not have to complete Part 1 of the **Historic Preservation Certification Application**. To determine whether or not a property is individually listed in the National Register, a property owner should first consult the cumulative listing of National Register properties in the **Federal Register**, which may be found in most large libraries. This list is published the first Tuesday of each February and is updated the first Tuesday of every month. If the **Federal Register** is unavailable, the owner should consult the appropriate SHPO.

Certification of Properties within Registered Historic Districts

To obtain **certified historic structure** designation for a structure within a **registered historic district**, the property owner must complete Part 1 of the **Historic Preservation Certification Application**. A **registered historic district**, as defined by the Department of the Interior, is either listed on the National Register of Historic Places or designated under a certified State or local statute.

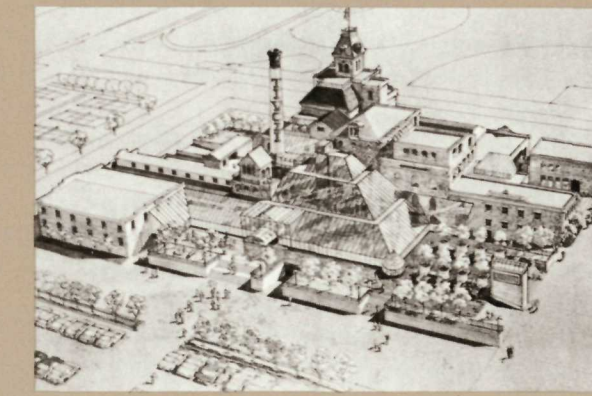
The application is submitted to the SHPO, who reviews the historic significance of the building to the district in which it is located and forwards the application with a recommendation to the National Register Division for final evaluation. Notification of certification by the National Register Division is sent directly to the property owner.

Property owners may also request certification that a structure is not significant to a historic district by following the same process.

The significance of structures within historic districts is evaluated by the SHPO and the National Register Division in accord with the **Standards for Evaluating Structures within Registered Historic Districts**, printed elsewhere in this leaflet.

Certification of Rehabilitation Work

A property owner seeking **certification of rehabilitation** work involving a **certified historic structure** must complete Part 2 of the **Historic Preservation Certification Application**. Part 2 may be completed at any time during the course of the rehabilitation work, although owners are strongly encouraged to submit proposed work for approval prior to construction. The application must be signed by the property owner and submitted to the SHPO who reviews the information and forwards it with a recommendation to the Technical Preservation Services Division of the Department of the Interior.



Denver, Colorado Credit: Hellmuth Obata & Kassabaum

Notice of approval of proposed work or certification of completed work is sent directly to the property owner.

All rehabilitation projects which owners wish certified for purposes of the Tax Reform Act are reviewed and evaluated in accordance with the Secretary of the Interior's **Standards for Rehabilitation**. These ten standards (printed elsewhere in this leaflet) are broadly worded to guide the rehabilitation of all historic buildings, such as industrial complexes, warehouses, schools, commercial buildings, residences, and other structures. The underlying concern articulated in the standards is preservation of these significant historical and architectural characteristics of a structure in the process of rehabilitation.

Tax Incentives

The Tax Reform Act allows an owner of a **certified historic structure** to amortize the costs of a **certified rehabilitation** over a five year period, even if the expected life of the improvement exceeds five years.

This amortization provision applies to rehabilitation expenses incurred after June 14, 1976, and before June 15, 1981.

If a property qualifies as a **substantially rehabilitated historic property**, the owner instead may take accelerated depreciation by depreciating the adjusted basis of the entire rehabilitated structure at a faster rate than he otherwise would be allowed to use. A **substantially rehabilitated historic property** is any **certified historic structure** for which the cost of **certified rehabilitation** (during a 24-month period ending on the last day of any taxable year, less any amounts allowed as depreciation or amortization during this period) exceeds either \$5,000 or the adjusted basis of the property, whichever is greater. The adjusted basis is generally the owner's initial cost of the property plus the cost of prior improvements less amounts previously allowed to the owner as depreciation. The accelerated depreciation provision of the act applies to expenses incurred after June 30, 1976, and before July 1, 1981.