

## **MICHIGAN'S HISTORIC PRESERVATION TAX CREDIT**

*For the first time, tax incentives are being offered to Michigan property owners for the rehabilitation of their personal residences*

### State Tax Credit

Michigan resource owners and long-term lessees who undertake qualified rehabilitations of certain historic resources can apply for a credit against their state general income tax or single business tax of up to 25 percent of qualified rehabilitation expenditures. The purpose of the tax credit program is to provide incentives to home owners, commercial property owners, and businesses to rehabilitate historical commercial and residential resources.

### Requirements

1. The resource to be rehabilitated must be located in the State of Michigan.
2. The resource must be an eligible resource.
3. All project work must conform to the Secretary of Interior's Standards for Rehabilitation.
4. Applicant must apply to the SHPO (State Historic Preservation Office). To qualify for the tax credit, applicants must complete all three parts of the *Historic Preservation Certification Application*.
5. Qualified rehabilitation expenditures must be equal to or greater than 10 percent of the State Equalized Value (SEV) of the property.
6. If the resource is sold, or alterations not meeting the Secretary of Interior's Standards for Rehabilitation are made within five years after the tax credit is claimed, the tax credit will be subject to recapture by the State of Michigan.

### Certified Historic Resource

An eligible resource is defined as any historic building, structure, site, object, feature, or open space that is:

- Located in a local unit of government with a population of 5,000 people or more **and** is a contributing resource in a local historic district established under Michigan's Local Historic Districts Act (P.A. 169 of 1970 as amended)...

If a resource is located in a historic district, the *Secretary of Interior's Standards for Evaluating Significance Within Registered Historic Districts* are used by the SHPO to determine whether the resource contributes to the significance of the district.

## Qualified Rehabilitation Expenditures

A state tax credit of up to 25 percent may be taken on qualified rehabilitation expenditures (costs incurred through rehabilitation work undertaken on the resource itself and can also include fees, site surveys, legal expenses, and development fees.) Qualified expenditures do not include costs of acquiring or furnishing the resource, new additions that expand the volume of the existing resource and construction of new facilities related to the resource.

Qualified rehabilitation expenditures must be equal to or greater than 10 percent of the State Equalized Value (SEV) of the property rehabilitated.

### *Secretary of Interior's Standards for Evaluating Significance Within Registered Historic Districts*

1. A building 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 historical development.
2. A building not contributing to the historic significance of a district is one which does not add to the district's sense of time and place and historical development; or one where the location, design, setting, materials, workmanship, feeling and association have been so altered or have so deteriorated that the overall integrity has been irretrievably lost.
3. Ordinarily buildings that have been built within the past fifty years shall not be considered to contribute to the significance of a district 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 fifty years old.

## Application Process

To qualify for the tax credit, applicants must complete the *Historic Preservation Certification Application*. The application is composed of three parts:

- Part 1 – Evaluation of Eligibility
- Part 2 – Description of Rehabilitation – to ensure that a project is consistent with the historic character of the resource.
- Part 3 – Request for Certification of Completed Work

Prior to any rehabilitation work, parts 1 and 2 must be submitted and approved by the SHPO.

## Claiming the Tax Credit

The tax credit is claimed on the tax return for the year that the Part 3, request for certification of completed work, is certified by the SHPO. If the tax credit exceeds the taxpayer's liability for that tax year, it may be carried forward for up to ten years.

### Recapture of the Tax Credit

An owner must maintain possession of the resource for five years after the year in which the tax credit is initially claimed. If the resource is sold within this time period, an appropriate percentage of the tax credit will be subject to recapture by the State of Michigan.

A resource may be inspected by an authorized representative of the SHPO at any time during the ten year period after the year in which the tax credit is initially claimed. Certification may be revoked if the rehabilitation work was not completed as described in Part 2 of the application, or if unapproved alterations not conforming to the *Secretary of Interior's Standards for Rehabilitation* were made. If certification is revoked, the entire tax credit may be subject to recapture by the State of Michigan.

(Information taken from pamphlet prepared by State Historic Preservation Office, Michigan Historical Center, Michigan Department of State)