



Preservation Alliance  
of Minnesota

## **Minnesota Historic Rehabilitation Tax Credit Program**

Frequently Asked Questions

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### **General Overview**

The Minnesota Historic Rehabilitation Tax Credit / Grant Program is an incentive to stimulate green job growth, increase local tax base, and revitalize urban and main street communities by encouraging private reinvestment in historic properties. The provision was passed by the Legislature, and signed into law by Governor Tim Pawlenty on April 1, 2010. The program is set to expire after fiscal year 2015 unless reauthorized.

The state tax credit program mirrors the federal 20 percent rehabilitation tax credit, a provision that has been in place since 1976. *The federal tax credit has been one of the Federal Government's most successful and cost-effective community revitalization programs rewarding private investment in rehabilitating historic properties nationwide.*

### ***What is the Minnesota Historic Rehabilitation Tax Credit / Grant Program?***

Property owners who are undertaking a historic rehabilitation project are eligible to receive either a state income tax credit or grant to assist with qualifying project expenditures. The income tax credit is equal to 20 percent of the eligible expenses of rehabilitating a qualifying historic property. The grant is equal to 90 percent of the allowable federal rehabilitation tax credit. Project proposers may choose either the tax credit or grant option.

### ***What projects are eligible?***

Projects are eligible to claim the state historic rehabilitation tax credit only if they are allowed the federal historic rehabilitation tax credit under section 47(a)(2) of the Internal Revenue Code. In order to be eligible for the federal historic rehabilitation tax credit, there are four basic application requirements:

- *The historic building must be listed in the National Register of Historic Places or be certified as contributing to the significance of a "registered historic district."*
- *After rehabilitation, the historic building must be used for an income-producing purpose for at least five years. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit.*
- *The property must be substantially rehabilitated. During a 24-month period selected by the taxpayer, rehabilitation expenditures must exceed the greater of the adjusted basis of the building and its structural components or \$5,000. The basis of the land is not taken into consideration.*

(cont.)

- *The rehabilitation work must be done according to the Secretary of the Interior's Standards for Rehabilitation. These are ten principles that, when followed, ensure the historic character of the building has been preserved in the rehabilitation.*

### **When will the funding be available?**

The state historic rehabilitation tax credit program is available for projects in taxable years beginning after December 31, 2009, for certified historic structures for which qualified costs of rehabilitation are first paid under construction contracts entered into after May 1, 2010.

### **How much money is available?**

The program was signed into law with an uncapped appropriation. This ensures that a project meeting the criteria for award of a tax credit / grant is eligible to receive the full incentive available to them under the federal and state programs regardless of the number of applications received in a single year.

### **What if I do not have enough tax liability to use the entire income tax credit?**

If the amount of credit that the taxpayer is eligible to receive exceeds your tax liability, you will receive the excess as a refund.

### **How do projects with multiple partners or owners eligible claim the tax credit?**

Credits granted to a partnership, a limited liability company taxed as a partnership, S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents, as of the last day of the taxable year.

### **How do I apply?**

The Minnesota Historic Rehabilitation Tax Credit / Grant Program application materials are available through the Minnesota State Historic Preservation Office (SHPO), which administers the credit. The SHPO may collect a fee for application of up to \$5,000, based on estimated qualified rehabilitation expenses, to offset costs associated with personnel and administrative expenses related to administering the credit and preparing an economic impact report. Application information will be available at the SHPO website at [www.mnhs.org/shpo](http://www.mnhs.org/shpo). To qualify for the Minnesota Historic Rehabilitation Tax Credit or Grant, the developer of a project must apply to the office before the rehabilitation begins.

### **Resources:**

- *Italicized* information quoted from the National Park Service's Technical Preservation Service "Incentives" website on April 22, 2010, at [www.nps.gov/hps/tps/tax/](http://www.nps.gov/hps/tps/tax/) and "Tax Aspects of Historic Preservation" by Mark Primoli, October, 2000.
- To access Minnesota's listed National Register of Historic Places properties, visit [www.nps.gov/history/nr/research/index.htm](http://www.nps.gov/history/nr/research/index.htm)
- To read the Minnesota Historic Rehabilitation Tax Credit / Grant Program law, visit [www.revisor.mn.gov/laws/?id=216&doctype=Chapter&year=2010&type=0](http://www.revisor.mn.gov/laws/?id=216&doctype=Chapter&year=2010&type=0)

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