

HISTORIC PRESERVATION TAX INCENTIVES

Who Should Read This

Historic Building Owners
Developers
Accountants

Architects
Realtors
Preservationists

Alabama Property Tax Reduction

- Buildings that are A) determined by the Alabama Historical Commission (AHC) as eligible for listing in the National Register; B) individually listed in the National Register; or C) listed as contributing to a National Register historic district may be assessed at 10% of the assessed value for ad valorem tax purposes. This benefits owners of historic properties used for commercial purposes.
- For application of property tax reduction, submit the Historic Preservation Certification Application Part I – Evaluation of Significance, complete with map and photos, to the AHC.
- Upon receipt of a complete application, AHC staff review documentation and process the application within 30 calendar days.
- Applications for properties within National Register historic districts will be forwarded to the National Park Service for certification. All other applications will be reviewed by AHC staff. The NPS certification or AHC letter may be presented to the county tax assessor for reassessment of the property.
- This incentive is referenced as the Wallace Property Relief Constitutional Amendment (“Lid Bill”) Code of Alabama 40-8-1 Section 2.

Federal Rehabilitation Tax Credits

20% Rehabilitation Tax Credit

- Available for Certified Rehabilitations of income-producing historic buildings listed in the National Register of Historic Places.
- Amounts to 20% of the total eligible rehabilitation expenditures and can be applied to federal income tax owed by the property owner.
- Certified Rehabilitations meet the Secretary of the Interior’s *Standards for Rehabilitation* and are approved by the National Park Service as being consistent with the historic character of the property.
- Rehabilitation expenditures must exceed the greater of \$5,000 or adjusted basis of the building. The adjusted basis is the purchase price of the building, minus the value of the land, plus improvements, minus depreciation.
- The three-part application process must be initiated before the rehabilitation project begins. Contact the Alabama Historical Commission for guidance with the application and rehabilitation process. The National Park Service reviews applications and issues official Certification decisions.
- The tax credit may be taken in the year the rehabilitated building is placed in service or when the building has been substantially rehabilitated.
- The owner must own the building for five years after completing the rehabilitation, and any work on the building within five years must be approved by the NPS beforehand, or the credits can be recaptured.

10% Rehabilitation Tax Credit for Non-Historic Buildings

- Available for rehabilitations of income-producing non-historic buildings built before 1936 (non-residential use). The 10% tax credit is available for pre-1936 buildings that are not listed in the National Register or that are non-contributing in registered historic districts because of major alterations.
- Rehabilitation expenditures must exceed the greater of \$5,000 or the adjusted basis of the building.
- The three-part application process is not required for the 10% credit UNLESS the building is located in a National Register district. In that case, a Part I application must be submitted to certify that the building does not contribute to the registered historic district. Even though there is no formal review of the project work, the building must meet a specific physical test for retention of exterior and interior walls, and it is recommended that work follow the Secretary of the Interior's *Standards for Rehabilitation*.
- Whether the 10% credit or the 20% credit applies to a project depends on the building, not the owner's preference.

Information and Application available online

<http://www.cr.nps.gov/hps/tps/tax/index.htm>

You may also contact the AHC for more information

preserve 
ALABAMA HISTORICAL COMMISSION

468 South Perry Street

Montgomery, Alabama 36130-0900

Use zip code 36104 for courier delivery (UPS, FedEx, etc.)

(334) 242-3184

<http://www.preserveala.org>

Direct questions to:

Alabama Property Tax Reduction

-- David Ray

Part 1 – Evaluation of Significance

-- David Ray

Part 2 – Description of Rehabilitation

-- Chloe Mercer

Part 3 – Certification of Completed Work

-- Chloe Mercer