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State Income Tax Credit Program for Rehabilitated Historic Property

In May 2002, the Georgia State Income Tax Credit for Rehabilitated Historic Property was signed into law (Ref. O.C.G.A. Section 48-7-29.8). The credit is a dollar for dollar reduction of State of Georgia income taxes and is meant to serve as an incentive to those who own and want to improve their historic properties by completing a rehabilitation project. The tax credit program is administered by the Georgia Department of Natural Resources' Historic Preservation Division (DNR-HPD) and the Georgia Department of Revenue. Owners of historic residential and commercial properties who plan to start a substantial rehabilitation on or after January 1, 2004 are eligible to apply for the credit. As amended effective January 1, 2009, the program provides owners of historic residential (principal residence) properties who complete a DNR-approved rehabilitation the opportunity to take 25% of the rehabilitation expenditures as a state income tax credit, capped at \$100,000 (if the home is located in a target area, as defined in O.C.G.A Section 48-7-29.8, the credit may be equal to 30% of rehabilitation expenditures, also capped at \$100,000). For any other income producing, certified historic structure, the credit is 25% of rehabilitation expenditures, capped at \$300,000. As further amended effective January 1, 2016, two additional program categories became available providing income tax credits capped at \$5 million and \$10 million per project and with a \$25 million annual program cap (the \$10 million cap category has annual employment and/or wage requirements).

What properties are eligible?

The property must be listed or eligible for listing in the Georgia Register of Historic Places, either individually or as a contributing building within a historic district. To find out if a property qualifies, please contact the Historic Preservation Division's National Register specialist, Olivia Head, at 770-389-7842.

Requirements to Participate

- The cost of rehabilitation must meet the substantial rehabilitation test. The substantial rehabilitation test is met when the qualified rehabilitation expenses exceed the following amounts:
 - For a historic home used as a principal residence, the lesser of \$25,000 or 50% of the adjusted basis of the building.
 - For a historic home used as a principal residence in a target area, \$5,000.
 - For any other certified historic structure, the greater of \$5,000 or the adjusted basis of the building.

At least 5% of the qualified rehabilitation expenditures must be allocated to work completed to the exterior of the structure. Acquisition costs and costs associated with new construction are not qualified rehabilitation expenses. For more information about Qualified Expenditures see the National Park Service - Technical Preservation Services definitions (<https://www.nps.gov/tps/tax-incentives/before-apply/qualified-expenses.htm>)

- The property owner must obtain preliminary and final certification of the project from HPD.
- Rehabilitation must be in accordance with the Department of Natural Resources' *Standards for Rehabilitation* and must be completed within two years.

How is the Credit Awarded?

Applicants applying for the tax credit under the historic home used as a principal residence (\$100K cap) category will use IT-RHC 2017, which is filed with their annual income tax return. For any other certified historic structure project, applicants will electronically submit form IT-RHC-AP and an approved Part A – Preliminary Certification application (new form) through the Georgia Tax Center to receive an allocation. The \$5 million and \$10 million cap categories are allocated on a first come first serve basis. Applicants apply for the credit for the year the project will be completed, subject to pro rata when applicable, and with a rollover provision to the next year where credits are still available. Questions about the Georgia Tax Center, DOR forms, and allocation of tax credits should be directed to Pamela Goshay at 404.417.2441 or pamela.goshay@dor.ga.gov.

Application Process

The application is a two-part process: Part A and Part B, with supplemental information and amendments when necessary. The program is designed to review projects before work begins; therefore, the earlier application materials are submitted to HPD for review, the better.

Part A – Preliminary Certification

Part A is submitted to HPD to determine if the property is listed or eligible for listing in the Georgia Register of Historic Places, and to determine if the proposed work meets the *Standards for Rehabilitation*. Ideally this is submitted to HPD before rehabilitation begins. Once all application materials are submitted and the review fee is paid, HPD generally takes 30 days to review and comment on the rehabilitation project. After HPD completes its review, the signed Part A form is mailed to the applicant. Certified historic structure (non-historic home) project applicants are then responsible for electronically submitting the approved Part A to the Georgia Tax Center to receive an allocation.

Part B – Final Certification

Part B is submitted to HPD after the project is completed. Once all application materials are submitted and the review fee is paid, HPD generally takes 30 days to review and certify the rehabilitation project. HPD is the final certification authority concerning all state rehabilitation applications. After HPD completes its review and approves the rehabilitation, the certified Part B form is mailed to the applicant. The applicant is then responsible for submitting IT-RHC 2017 (historic home projects) form or Part B – Final Certification form electronically to the Georgia Tax Center (other certified structure projects) with their annual tax return.

Amendments

Amendments are submitted to HPD when there is a change in the scope of work submitted in the Part A application. This allows a certain amount of flexibility as the project continues to be developed. Upon request, HPD will offer technical assistance to rehabilitation tax projects by meeting with individuals at HPD's office or on-site of the project to discuss specific rehab issues. HPD encourages early communication with our office.

Fees

Fees are charged for reviewing the Part A and Part B applications. They are based on a percentage of the qualified rehabilitation expenditures and will be invoiced upon receipt of an application. A cashier's check, money order, or official bank check, made payable to the Georgia Department of Natural Resources, are the only acceptable forms of payment. Personal checks are not accepted. The fees are non-refundable.

For more information, visit our website georgiashpo.org, or contact Rachel Rice, Tax Incentives Program Manager, at 770-389-7849 or rachel.rice@dnr.ga.gov.