



Rehabilitation Tax Incentives for Income-Producing Properties

Federal and state rehabilitation tax credits provide jobs, bolster the tax base, and revitalize existing buildings and infrastructure, while preserving the state’s priceless historic character. These programs, administered by the State Historic Preservation Office (HPO), in conjunction with the National Park Service (NPS), encourage the conservation of North Carolina’s historic resources.

Owners and developers may potentially receive a 20% federal income tax credit and a 15-25% state income tax credit for certified rehabilitations of income-producing historic structures.

Example for Income-Producing Properties

\$1,000,000 Rehabilitation Expenses	
20% Federal Tax Credit	
x	15% Base Level State Tax Credit *
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\$350,000 Tax Credit Amount **	



* The state tax credit is graduated according to project budget. For the first \$10M in qualified rehabilitation expenditures, the credit is 15%. For the next \$10M in qualified rehabilitation expenditures (i.e., up to \$20M), the credit is 10%. There is no tax credit for qualified rehabilitation expenditures exceeding \$20M.

** The following **bonus state tax credits** are potentially available to property owners and developers:

- **5% Development Tier Bonus** for projects in Tier 1 or 2 Counties with qualified rehabilitation expenditures up to \$20M. *See the North Carolina Department of Commerce [website](#) for a description of the county tier system.*
- **5% Targeted Investment Bonus** for manufacturing or agricultural properties at least 65% vacant for two years preceding eligibility certification, and with qualified rehabilitation expenditures up to \$20M. Eligibility certification for this bonus credit is made by the State Historic Preservation Officer.

Eligibility

Buildings listed in the **National Register of Historic Places**, either individually or as a contributing building in a National Register Historic District, are candidates. Contributing buildings within one of the state’s three Certified Local Historic Districts in Raleigh, Goldsboro, or Madison, are also candidates. *Please check HPOWeb at gis.ncdcr.gov/ to determine your building’s status.*

- The rehabilitation of the historic structure must be substantial. For income-producing properties, the rehabilitation expenses must exceed the greater of the adjusted basis of the building, or \$5,000 within a 24- month period (for phased projects, a 60-month period).
- All rehabilitation work must meet **The Secretary of the Interior's Standards for Rehabilitation**. Applications are subject to a joint review by the HPO and the NPS, with final authority resting with the NPS.

The Secretary of the Interior's [Standards for Rehabilitation](#) were developed to determine the appropriateness of proposed project work on National Register listed properties and have been widely used since 1976. The intent of the *Standards* is to promote the long-term preservation of a property's significance through the preservation of historic materials and features on the exterior and interior of buildings. They also encompass related landscape features and the building's site and environment, as well as attached, adjacent, or related new construction.

Application Process

Property owners are strongly advised to consult with our office before beginning a rehabilitation to resolve potential design and rehabilitation problems that could result in the denial of the credits. See contact information below.

Property owners should email all federal application forms to historic.taxcredits@dncr.nc.gov for review by the HPO, which provides technical assistance on appropriate rehabilitation treatments. The HPO then forwards all applications to the NPS with its recommendation. NPS reviews the rehabilitation project for conformance with the *Standards* and issues a certification decision.

- **Part 1 – Evaluation of Significance**
Provides documentation that the building contributes to a National Register Historic District or property. No documentation is needed for a single property individually listed in the National Register.
- **Part 2 (Federal) and Part A (State) – Description of Rehabilitation**
Consists of detailed descriptions of existing conditions and the proposed work, overall before rehabilitation photos, and plans or drawings, as needed, to fully describe the scope of the rehabilitation project.
- **Part 3 (Federal) and Part B (State) – Request for Certification of Completed Work**
Consists of after photos documenting the rehabilitated property.

See the NPS website for federal application forms and directions (including electronic file naming, photography, and signature protocols): <https://www.nps.gov/subjects/taxincentives/hpca-electronic-submission.htm>.

Note that the state Part A and B application forms must be submitted in hardcopy, along with the state review fee. For the state application forms, as well as the state review fee schedule, please contact [Jannette Coleridge-Taylor](#).

Claiming the Credit

Taxpayers should consult a tax advisor, NC Department of Revenue, or the Internal Revenue Service for help in determining tax and other financial implications.

- The credits cannot be claimed against the cost of acquisition, new additions (volume increase), site work, or personal property. Generally, costs incurred for rehabilitating the existing structure will qualify as rehabilitation expenses.
- Property owners may begin claiming the tax credit(s) in the year the building is placed into service.
- The federal tax credits must be claimed over a period of five years, minimum, and may be applied to tax returns one year before, and up to twenty years after, the building is placed into service.
- The state tax credits may be claimed entirely the year the structure is placed in service, or carried forward up to nine years.

A property is listed in the **National Register** by a nomination prepared according to detailed state and federal guidelines. Although all nominations are reviewed by the HPO, the final authority on National Register listing is the Keeper of the National Register in Washington, D.C. Most nominations are prepared by private consultants hired by property owners, local governments, or private non-profit organizations. The nomination process typically takes a minimum of six months, and may take much longer. For information about the NRHP and the requirements and procedures for listing, please contact our office.



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Contact Information:

- For program information, please contact Jamie Bell at jamie.dail.bell@dncr.nc.gov or 919-814-6566.

Helpful Links:

- Visit the NC Historic Preservation Office at <https://www.hpo.nc.gov/>
- For information on the Federal Historic Preservation Tax Credit, visit <https://www.nps.gov/subjects/taxincentives/index.htm>.