

# Rehabilitation Tax Credits

## A Comparison of the State and Federal Rehabilitation Tax Credit Programs

Revised 8/19/11

	FEDERAL	STATE
<b>Amount of credit</b>	<b>20%</b> of eligible expenses	<b>25%</b> of eligible expenses
<b>Eligible Property Types</b>	Income Producing (commercial or rental residential) (not owner-occupied residential)	Income Producing (commercial or rental residential) <b>or</b> Owner Occupied (Owner Occupied = Residential)
<b>Certified Historic Structure</b>	Individually Listed on NRHP <b>or</b> Contributes to a NRHP Historic District  (must actually be listed before credit can be claimed)	Individually listed on VLR <b>or</b> Contributes to a listed VLR Historic District <b>or</b> has been evaluated as <i>eligible</i> for individual listing on the VLR
<b>The Secretary of the Interior's Standards For Rehabilitation</b>	Rehabilitation work must be consistent with the Secretary of the Interior's <i>Standards for Rehabilitation</i> .	
<b>Cost Threshold</b>	Improvements must be more than 100% of the owner's adjusted basis in the building  (The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.) <b>or</b> \$5,000 – whichever is greater.	<i>For Owner-Occupied Residential Properties:</i> Expenses must be <u>at least 25%</u> of the assessed value of the building for the year before the rehabilitation was begun.  <i>For Commercial &amp; All Other Buildings:</i> Expenses must be <u>at least 50%</u> of the assessed value of the building for the year before the rehabilitation was begun.
<b>Eligible Rehabilitation Costs (Capital Expenses)</b>  A capital expense is something that will increase the value of the property.	Include construction costs and some soft costs – does not include the cost of new construction beyond the shell of the building, site work, or personal property.	Include construction costs and some soft costs – does not include new construction beyond the shell of the building, site work, or personal property.  Some historic manmade landscape elements may be eligible.
<b>Recapture of Credits</b>	If a rehabilitated property is sold, or loses its status as income producing within 5 years of completion of the rehabilitation, a portion of credits claimed will be subject to prorated recapture by the IRS.	There is no holding period for the state credit. The building may be sold any time after the rehabilitation without recapture of the credit.
<b>Claiming Credits</b>	Credit may be carried forward for up to <b>20</b> years, and back 1 year.	Credit may be carried forward for up to <b>10</b> years. There is no carry-back.
<b>Deadlines</b>	The Part 1 must be submitted <b>before</b> the work is completed.	Part 1, as well as Parts 2 and 3, must be submitted <b>within 1 year</b> of the completion date.

NRHP = National Register of Historic Places

VLR = Virginia Landmarks Register