

**NON-INCOME-PRODUCING PROPERTIES:  
TWO STEPS FOR RECEIVING TAX CREDITS**

*Step 1: Description of Rehabilitation.* Determines if the rehabilitation work conforms to the **Secretary of the Interior's Standards for Rehabilitation**. **Only certified historic structures qualify for tax credits. Owners are urged to secure a National Register listing and plan approvals prior to starting work.**

*Step 2: Request for Final Certification.* Determines if the completed work meets the **Secretary of the Interior's Standards for Rehabilitation** and is therefore designated a **certified rehabilitation**.

**INCOME-PRODUCING PROPERTIES:  
THREE STEPS FOR RECEIVING TAX CREDITS**

*Step 1: Evaluation of Significance.* Determines if a property is a **certified historic structure**.

*Step 2: Description of Rehabilitation.* Determines if the rehabilitation work conforms to the **Secretary of the Interior's Standards for Rehabilitation**.

**Note: In order to be assured of receiving tax credits, owners are urged to get approval of Steps 1 and 2 prior to starting work.**

*Step 3: Request for Certification of Completed Work.* Determines if the completed work meets the **Secretary of the Interior's Standards for Rehabilitation** and is therefore designated a **certified rehabilitation**.

**USING THE TAX CREDITS**

State and federal tax credits may be used to reduce state or federal income taxes. Please consult with your tax advisor as to how you can utilize the credit.

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**FOR MORE INFORMATION...**

Information and applications are available from the State Historic Preservation Office (SHPO). Applications are subject to review by the SHPO and, for Federal tax credits, the National Park Service.

*Restoration Branch  
State Historic Preservation Office  
Department of Cultural Resources  
4617 Mail Service Center  
Raleigh, NC 27699-4617  
919-733-6547  
www.hpo.dcr.state.nc.us*

For information on properties available for restoration contact:

*Preservation North Carolina  
220 Fayetteville Street, Suite 200  
P.O. Box 27644  
Raleigh, NC 27611-7644  
919-832-3652  
info@presnc.org  
www.PreservationNC.org*

*For legislative reference, see  
North Carolina General Statutes 105-129.36*

*An additional incentive is available for the rehabilitation of large vacant industrial, agricultural, and utilities buildings. For more information, see North Carolina General Statutes 105-129.70*



*North Carolina*  
**Preservation North Carolina**  
The Historic Preservation Foundation of North Carolina, Inc.

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# USING REHABILITATION TAX CREDITS TO RENOVATE YOUR HOME OR BUSINESS PROPERTY

## An Introduction



*Edenton Cotton Mill  
Edenton, North Carolina*

A Successful Historic Rehabilitation  
Tax Credit Project

This is Preservation North Carolina's first industrial heritage project and perhaps Eastern North Carolina's most intact historic textile site. The mill was organized in 1898. Between 1899 and 1923, more than 70 dwellings were constructed for its workers. The mill is being renovated as luxury condos.

## NORTH CAROLINA AND FEDERAL HISTORIC REHABILITATION TAX CREDITS

### WHAT IS A TAX CREDIT?

A tax credit differs from a tax deduction. A tax deduction simply lowers the amount of your income that is subject to taxation. A tax credit provides a *dollar-for-dollar* reduction in the amount of taxes you owe. For example, if your tax bill is \$10,000, a \$4,000 credit will reduce your tax bill to \$6,000.

### NORTH CAROLINA REHABILITATION TAX CREDITS

In 1997, the North Carolina General Assembly approved the most comprehensive state historic reservation tax credit program in the nation. Two tax credit packages were approved:

- A 30% state income tax credit for **certified rehabilitations** of *non-income-producing certified historic structures*, including personal residences. Qualified rehabilitation expenses must exceed \$25,000 within a two-year period.
- A 20% state income tax credit for **certified rehabilitations** of *income-producing certified historic structures*, such as commercial and retail buildings. This credit is available for rehabilitations that qualify for the 20% federal tax credit (see below). The combination of the two credits can reduce the cost of certified rehabilitations by 40%.

### FEDERAL REHABILITATION TAX CREDITS

There are two federal tax credits available for rehabilitation of buildings:

- A 20% federal income tax credit for **certified rehabilitations** of *income-producing certified historic structures*. Rehabilitation projects, which receive this credit, are eligible for the 20% state credit, as well.
- A 10% federal income tax credit for rehabilitations of income-producing non-historic structures built before 1936 and used for non-residential purposes.

Qualified rehabilitation expenses must exceed adjusted basis of building within a two-year period or five-year period for phased projects. *There is no federal tax credit for rehabilitation of non-income-producing properties, such as private homes.*

## EXAMPLES OF HISTORIC REHABILITATION TAX CREDITS AT WORK

The following hypothetical examples of tax credits use structures that were sold through Preservation North Carolina's Endangered Properties Program. For more information about other historic properties available for restoration, please visit the Preservation North Carolina website at [www.PreservationNC.org](http://www.PreservationNC.org).

### NON-INCOME PRODUCING PROPERTIES: 30% STATE REHABILITATION TAX CREDIT



*King House, Goldsboro, NC*

#### Hypothetical Example:

Purchase Price	\$25,000
Qualified Rehabilitation Expenses*	\$100,000
<b>30% State Tax Credit</b>	<b>\$30,000</b>

\*Rehabilitation cost must exceed \$25,000

### INCOME-PRODUCING-PROPERTIES: COMBINED 20% STATE REHABILITATION AND 20% FEDERAL REHABILITATION TAX CREDITS



*Bank of Robersonville, Robersonville, NC*

#### Hypothetical Example:

Purchase Price	\$25,000
Qualified Rehab Expenses*	\$100,000
<b>20% State Tax Credit</b>	<b>\$20,000</b>
<b>20% Federal Tax Credit</b>	<b>\$20,000</b>

\*Rehabilitation costs must exceed adjusted basis of building.

### TAX CREDIT GLOSSARY

- **Certified Historic Structures:** Buildings which are either: a) listed individually on the National Register of Historic Places, b) located within a National Register Historic District and are certified as contributing to the district, or c) located in, and contributing to, a local historic district that has been certified by the National Park Service. The State Historic Preservation Office and the National Park Service make these designations.
- **Certified Rehabilitation:** A rehabilitation which has been approved by the State Historic Preservation Office or the National Park Service. All work must adhere to the **Secretary of the Interior's Standards for Rehabilitation** in order to qualify for the credit.
- **Income-Producing Structures:** Structures put into service as places of business, such as commercial, retail, or rental use.
- **Non-Income-Producing Structures:** Structures, such as private homes, which do not generate income.
- **Secretary of the Interior's Standards for Rehabilitation:** National Park Service standards that govern tax credit rehabilitation projects.