
Federal Historic Tax Credits:

Small Project Examples



When it comes to Federal Historic Tax Credit projects, it is often the large-scale projects such as the Bottleworks Complex (former Coca-Cola Bottling Plant) in Indianapolis or Electricworks (former General Electric Plant) in Fort Wayne that seem to get the most attention. However, the program is also great for smaller scale projects including rental houses or commercial buildings in small downtowns.

Federal Historic Tax Credit Overview

The Federal Historic Tax Credit offers a 20% income tax credit on qualified expenses for the rehabilitation of historic, income-producing buildings. To qualify, the property must meet a few federal standards. It must be listed on the National Register of Historic Places (either individually or as a contributing resource within a listed district), be used for income-producing purposes for at least five years after the rehabilitation, meet the "substantial rehabilitation test", and the work must comply with the Secretary of the Interior's Standards for Rehabilitation (Standards).

The "substantial rehabilitation test" determines the minimum amount that must be spent to qualify for the program. The cost of the project must exceed the greater of \$5,000 or the buildings adjusted basis, which is calculated by the following formula:

A - B - C + D = adjusted basis

A = purchase price of the property (building and land)

B = the cost of the land at the time of purchase

C = depreciation taken for an income-producing property

D = cost of any capital improvements made since purchase

It is important to note that not every expense associated with a rehabilitation project contributes toward calculations for the credit. In general, only those costs that are directly related to the repair or improvement of structural and architectural features of the historic building will qualify. Refer to the links at the end of this article for additional information on the program and qualified expenses.

The following are great examples of smaller projects that used the Federal Historic Tax Credit programs.

315 Central Avenue, Madison, Jefferson County

The rowhouse at 315 Central Avenue was built c. 1830 and is a contributing resource within the Madison Historic District, which was listed on the National Register of Historic Places in 1973 and as a National Historic Landmark District in 2006. The 1,242 square foot house had previously been a private residence and was rehabilitated for use as a short-term rental property. The rehabilitation of both the interior and

exterior of the property included repainting the exterior masonry, replacement of the asphalt shingle roof, repair/replacement of windows and doors, and updating the interior finishes and systems.

The Federal Historic Tax Credit project took place from November 2019 through March 2021. The final project costs were \$106,782, with \$90,018 counting as qualified expenses, resulting in a \$18,004 tax credit.



BEFORE



AFTER

Gaskill-Irwin Farm, Bourbon, Marshall County

The Gaskill-Irwin Farm was built in 1879 and is a wonderful example of an Italianate house. The farmstead is listed on the National Register of Historic Places and includes the main house as well as a 1935 seed corn drying building and the original c. 1860 house (now used for storage). The 2,535 square foot house was previously a private residence and was rehabilitated to be rental housing. The rehabilitation of both the interior and exterior of the property included complete exterior restoration and painting of wood features (including siding, trim, all wood features, and storm windows), new floor tile in bathrooms and kitchen, and new wood floors to match the original in the entry and dining room.

The Federal Historic Tax Credit project took place from October 2019 through March 2021. The final project costs were \$75,216, which were all qualifying expenses, resulting in a \$15,043 tax credit.



BEFORE



AFTER

Corner Hardware Building, Argos, Marshall County

The Corner Hardware Building was built in 1883 and is a contributing resource within the Argos Downtown Historic District, which is listed on the National Register of Historic Places. The two-story brick commercial building has 10,986 square feet with residential apartments on the upper floor and commercial space on the first floor, typical of historic downtown buildings.

This property has used the tax credit program twice. The first project from 2013-2016 included rehabilitation of the upper floor updating three apartments, some minor work on the interior at the first floor, and exterior repairs. It had costs of \$65,000, with \$63,964 counting as qualified expenses, resulting in a \$12,793 tax credit.

The credit was used for a second project from 2019-2020 to rehabilitate the first-floor tenant space, converting it from retail to restaurant use, including adding a kitchen and new restrooms. The final project costs were \$42,623, which were all qualifying expenses, resulting in a \$8,525 tax credit.



Additional information on the Federal Historic Tax Credit program and application process can be found on the DHPA website: dnr.IN.gov/historic-preservation/financial-assistance/historic-tax-credit

Guidance on qualified expenses under the program can be found in the IRS Guidance on Qualified Rehabilitation Expenses: irs.gov/pub/irs-sbse/qualified-rehabilitation-expenditures.pdf