



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

HISTORICAL PRESERVATION & HERITAGE COMMISSION

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**RI HISTORIC PRESERVATION TAX CREDIT
2013 Application Instructions**

A Rhode Island state income tax credit is available for certain projects that rehabilitate historic buildings. In order for a project to qualify for the Historic Preservation Tax Credit, expenditures related to rehabilitation of a historic property must be certified by the Rhode Island Historical Preservation & Heritage Commission (RIHPHC) in accordance with Chapter 33.6 of Title 44 of the Rhode Island General Laws. The RIHPHC and the RI Division of Taxation have issued regulations governing application and review for this tax credit; those regulations provide detailed information and shall take precedence in the event of any inconsistency with the requirements expressed in this application. In general, in order to be eligible, a project must rehabilitate a historic building listed in the National Register of Historic Places or the State Register, and the work performed on the building's exterior and on its interior must be appropriate to the building's historical character, as determined by the RIHPHC in accordance with the *Secretary of the Interior's Standards for Rehabilitation Projects*. Rehabilitation projects that demolish historic interiors (so called "gut rehab") will not be approved for tax credits. The RIHPHC is responsible for certifying whether a property is historically significant and whether the rehabilitation work proposed and actually completed is consistent with the *Standards*.

The process for applying for the R.I. Historic Preservation Tax Credit begins with an application to the R.I. Division of Taxation in order to reserve tax credits. The total amount available for 2013 tax credits is limited. The Division of Taxation will place applications in a queue.

After filing with the Division of Taxation, the Applicant will submit information about the historic rehabilitation project to the RIHPHC. Rhode Island's Historic Preservation Tax Credit is similar to the Federal Historic Rehabilitation Tax Credit, and some projects may qualify for both credits. The Federal application form of the United States Department of the Interior, National Park Service is required for all projects in addition to the RIHPHC State application forms. Applicants should refer to the instructions for the Federal application form and the instructions for the State application form.

Both the State and the Federal applications involve three separate parts.

- Part 1 requires information about the historical significance of the property.
- Part 2 requires information about the current condition of the property and the rehabilitation work that is proposed.
- Part 3 requires information about the rehabilitation work that was actually completed.

The RIHPHC will notify the Applicant and the Division of Taxation when Part 1 and Part 2 of the application are approved. The Division of Taxation will then notify the Applicant regarding the signature of a tax credit contract and any related matters. Applicants whose Part 2 application is approved by RIHPHC will enter into a tax credit contract with the Division of Taxation, and Applicants will pay a nonrefundable fee to the Division of Taxation equal to three percent (3%) of the estimated qualified rehabilitation expenditures. If the Applicant seeks both the State and the Federal tax credits, he/she must submit two complete original copies of the Federal application and one complete original copy of the State application. The RIHPHC will review and approve the State application, and the National Park Service will review and approve the Federal application. Separate fees must be paid for State review and National Park Service review.

If the Applicant seeks only the State tax credit, he/she must submit one complete original copy of both the State application form and the Federal application form (the Federal form is part of the State application). Only the RIHPHC will review and approve the entire application, and only the State fee must be paid.

There are important differences between the State credit and the Federal credit, although the overall programs are similar. Some of the differences are:

- The State credit is twenty-five percent (25%) of rehabilitation expenses if the project includes space for a trade or business; and the State credit is twenty percent (20%) of qualified rehabilitation expenses if the project is all residential space.
- The State credit is available to a property listed in the State Register even if it is not listed in the National Register of Historic Places; the property must be listed in the State Register before the property is placed in service.
- The State credit application (Parts 1 & 2) must be filed with the RIHPHC before the project is completed and placed in service.
- The owner will sign a contract with the Division of Taxation that sets terms of the tax credit agreement and will pay a fee to the Division of Taxation.
- The State credit requires a minimum expenditure greater than the adjusted basis in the building on or after July 3, 2013.
- The State credit may be claimed on projects to rehabilitate buildings that are depreciable or that are held for sale by the owner (use as the principal residence of the owner or use as a social club are not eligible).
- The State credit may not be claimed for tax-exempt properties.
- The State credit requires that the owner sign a covenant not to alter the rehabilitated property without approval by the RIHPHC during the twenty-four months following completion of the project; that the property will not become tax-exempt; and that space provided for a trade or business will be maintained for at least sixty (60) months following approval of the completed project.
- The State credit may be sold or assigned to a third party.
- The State credit may be carried forward and used for ten years following completion of the project.

Part 1 of the Application is used to determine whether a building is a certified historic structure. An owner may consult with the RIHPHC about the historical significance of a property. In order to obtain RIHPHC's historical certification for a property, *both* the short RIHPHC Part 1 application form and the more detailed Federal Part 1 must be submitted. Photographs must be labeled and must clearly show the building's exterior and interior and its site before rehabilitation; electronic images (jpgs) must be printed on photo paper, and copies submitted on a compact disc.

If a property is not listed on the National Register of Historic Places or the State Register but in the opinion of the RIHPHC appears to have historical significance, the RIHPHC may issue a preliminary certification. It is the owner's responsibility to complete the formal listing process *before* the rehabilitation project is completed and the building is placed in service. A certification of completed rehabilitation will only be issued for certified historic structures. RIHPHC staff can provide guidance on how to list a property on the National Register or State Register. RIHPHC regulations contain further information about certification of historic significance.

Part 2 of the Application is used to review proposed rehabilitation work. An application for certification of a proposed rehabilitation must be submitted to the RIHPHC *before* the project is completed and the building is placed in service. All elements of the rehabilitation must be consistent with the *Secretary of the Interior's Standards for Rehabilitation*. An owner may consult with RIHPHC architects about whether proposed work is consistent with the *Standards*. Generally, an owner should request an on-site visit by a RIHPHC architect before submitting the Part 2 application for review and before any demolition takes place or work begins.

In order to obtain RIHPHC's certification of proposed rehabilitation, *both* the short RIHPHC Part 2 application form and the more detailed Federal Part 2 must be submitted. Color photographs must clearly show the building's exterior and interior and its site before rehabilitation; electronic images (jpgs) must be printed on photo paper, and in addition photographic images must be submitted on a compact disc.

Tax-Exempt Property Rehabilitation of a structure that is exempt from taxation pursuant to RI General Laws 44-3-3 is not eligible for the tax credit. Applicants must certify that their property is not tax-exempt pursuant to RIGL 44-3-3.

Adjusted Basis /Minimum Expenditure Threshold To qualify for the tax credit, a rehabilitation of a certified historic structure must incur qualified rehabilitation expenditures greater than the adjusted basis in the building and its structural components. The amount of the adjusted basis before beginning the rehabilitation project on or after July 3, 2013 must be stated on the application. This amount will be used to determine whether the completed project incurred costs equal to or greater than the adjusted basis.

Estimate Qualified Rehabilitation Expenses (QRE) represent the cost of the project not including acquisition and certain other costs and restrictions. State the amount of QRE

that will be incurred on the project on or after July 3, 2013. Project costs incurred before July 3, 2013 are not eligible to be claimed for the state historic preservation tax credit.

Tax Credit Percent Projects that provide at least twenty-five percent (25%) of the total rentable area of the certified historic structure for use by a trade or business may claim a tax credit of twenty-five percent (25%). All other qualifying projects may claim a tax credit of twenty percent (20%). If 25 percent, submit documentation showing the area provided for a trade or business.

Tax Credit Amount State the amount of State tax credits that the Division of Taxation has allocated for the project. This amount, but not more than five million dollars (\$5,000,000), will be included in the tax credit contract issued by the Division of Taxation.

Project Start Date State the date when the project construction began or the date when project construction will begin. Applicants have twelve (12) months from the approval of the Part 2 application by RIHPHC to commence substantial construction activities.

Project Completion Date State the date when the project will be completed, and provide a reasonably detailed project timeline.

Phased Projects Ordinarily a project must incur costs greater than the adjusted basis during a twenty-four (24) month period. However, an Owner may elect to complete the project in two or more distinct phases over a sixty (60) month period. To qualify as a phased project, architectural plans and specifications prepared before the physical work on the rehabilitation begins must be submitted to the RIHPHC. In addition, submit a phasing schedule that gives beginning and ending dates for each phase and describes an identifiable portion of the project that will be completed in each phase.

Applicant Information: Provide the Applicant's name, organization name (if any), social security number or taxpayer identification number, mailing address, and daytime telephone and email.

The Applicant may be either the Owner of the building or a person other than the owner, such as a lessee, who expects to incur the qualified rehabilitation expenditures with respect to its leasehold interest.

If the Applicant is not a natural person, the Application must be signed by a person authorized to sign on behalf of the Applicant entity. The Commission is entitled to rely on the apparent authority of the person signing on behalf of the Applicant without further investigation. For example, an application made by a corporation should be signed by an authorized officer; an application made by a partnership should be signed by a general partner or an officer of a corporate general partner; an application by a limited liability company should be signed by an authorized manager; an application made by a trust should be signed by a trustee.

The Applicant must sign and date the application.

Owner Information: If the Applicant is not the owner of the property, provide the Owner's name, mailing address, and daytime telephone and email.

The Owner must sign and date the application. The Owner must also sign the Declaration of Restrictive Covenants when the project is completed.

NOTE: RIHPHC and the Division of Taxation have issued regulations governing application and review for the Rhode Island Historic Preservation Tax Credit, and those regulations shall take precedence in the event of any inconsistency with the requirements expressed in this application. RIHPHC approval of applications and amendments to applications is conveyed *only in writing* by a duly authorized official. The decision by RIHPHC with respect to certification is made on the basis of the descriptions in the application and RIHPHC site inspection. Photographs, architectural plans, drawings and other materials submitted with the application become the property of the RIHPHC and may be reproduced by it without permission.

Part 3 of the application is used to review completed rehabilitation work. An application for certification of a completed rehabilitation must be submitted to the RIHPHC after the project is completed and the building is placed in service. All elements of the rehabilitation must be consistent with the *Secretary of the Interior's Standards for Rehabilitation* and with the plans approved in the Part 2 application. RIHPHC architects will determine whether completed work is consistent with the *Standards* and with the approved Part 2. Generally, an owner should request an on-site visit by a RIHPHC architect before submitting the Part 3 application for review.

In order to obtain RIHPHC's certification of completed rehabilitation, *both* the short RIHPHC Part 3 application form and the more detailed Federal Part 3 must be submitted. Color photographs must clearly show the building's exterior and interior and its site before rehabilitation; electronic images (jpgs) must be printed on photo paper, and in addition photographic images must be submitted on a compact disc.

Tax-Exempt Property Rehabilitation of a structure that is exempt from taxation pursuant to RI General Laws 44-3-3 is not eligible for the tax credit. Applicants must certify that their property is not tax-exempt pursuant to RIGL 44-3-3.

25 Percent Commercial Credit Certify if at least twenty-five percent (25%) of the gross rentable area of the certified historic structure or the entire first floor is for use by a trade or business.

Project Information

Project Start Date When did the project start after July 3, 2013?

Placed in Service Date When was the project completed and placed in service?

Adjusted Basis /Minimum Expenditure Threshold To qualify for the tax credit, a rehabilitation of a certified historic structure must incur qualified rehabilitation expenditures greater than the adjusted basis in the building and its structural components. The amount of the adjusted basis before beginning the rehabilitation project on or after July 3, 2013 must be stated on the application.

Qualified Rehabilitation Expenses (QRE) represent the cost of the project not including acquisition and certain other costs and restrictions. State the amount of QRE that was incurred on the project on or after July 3, 2013. Project costs incurred before July 3, 2013 are not eligible to be claimed for the state historic preservation tax credit.

Additional Project Costs State the amount of additional project costs incurred but not eligible for the tax credit; do not include cost of acquisition of the property.

Tax Credit Amount State the amount of State tax credits that the Division of Taxation has allocated for the project. This amount, but not more than five million dollars (\$5,000,000), will be included in the tax credit contract issued by the Division of Taxation.

Provide the following information:

- Number of total jobs created & Full time equivalents:
- Cost of construction labor:
- Number of Rhode Island businesses retained for work:
- Cost of materials & products purchased from Rhode Island businesses:
- Amount of Rhode Island Sales Taxes paid:
- Property tax assessed value at the beginning of the project:
- Property tax assessed value at the end of the project:
- Use of the property BEFORE rehabilitation:
- Use of the property AFTER rehabilitation:
- Number of housing units rehabilitated & Number of housing units committed to Affordable Housing:
- Gross square feet of commercial space rehabilitated:

Applicant Information: Identify the Person or Entity that incurred the Qualified Rehabilitation Expenditures, address, and social security number or taxpayer identification number. The Applicant may be either the Owner of the building or a person other than the owner, such as a lessee, who expects to incur the qualified rehabilitation expenditures with respect to its leasehold interest. If the Applicant is not a natural person, the Application must be signed by a person authorized to sign on behalf of the Applicant entity. The Commission is entitled to rely on the apparent authority of the person signing on behalf of the Applicant without further investigation. For example, an application made by a corporation should be signed by an authorized officer; an application made by a partnership should be signed by a general partner or an officer of a corporate general

partner; an application by a limited liability company should be signed by an authorized manager; an application made by a trust should be signed by a trustee.

The Applicant must sign and date the application.

Owner Information: If the Applicant is not the owner of the property, provide the Owner's name, mailing address, and daytime telephone and email.

The Owner must sign and date the application. The Owner must also sign the Declaration of Restrictive Covenants.

FINAL NOTE: RIHPHC and the Division of Taxation have issued regulations governing application and review for the Rhode Island Historic Preservation Tax Credit, and those regulations shall take precedence in the event of any inconsistency with the requirements expressed in this application. RIHPHC approval of applications and amendments to applications is conveyed *only in writing* by a duly authorized official. The decision by RIHPHC with respect to certification is made on the basis of the descriptions in the application and RIHPHC site inspection. Photographs, architectural plans, drawings and other materials submitted with the application become the property of the RIHPHC and may be reproduced by it without permission.