

Financial Incentives for Historic Preservation Work

FEDERAL REHABILITATION INVESTMENT TAX CREDITS

The federal tax credits reduce the amount of federal tax owed by owners whose buildings have been rehabilitated to meet certain criteria.

- Federal Rehabilitation Investment Tax Credits (ITC) are applied to an owner's federal taxes owed or to future tax liabilities.
- The credit typically is worth a percentage of the cost of the renovation.
- The Passive Activity Limitations, the Alternative Minimum Tax, and the At-Risk Rules all affect the amount of credit an individual can claim in one year.
- Eligible owners may be individuals or businesses and must pay federal income taxes.
- Approximately \$9,000 is the maximum credit any one individual can claim in any one year. Larger credit amounts, however, can be divided up and carried to other years.

20% Rehabilitation Tax Credit for Historic Buildings

This incentive reduces the building owners' federal income taxes by 20% of the project's budget. This program is only for income-producing depreciable property including: properties rehabilitated for commercial, agricultural, industrial, and rental residential. Owner-occupied housing is not eligible.

Building must be a certified historic structure:

- Listed on the National Register (individually or contributing to a National Register district); or
- A contributing building within a local historic district certified by the NPS for the tax credits.
- Individually listed local landmarks are not eligible.

Project must be certified by the NPS to meet the Secretary of the Interior's Standards for Rehabilitation.

- Requires the preservation the existing significant historic features and materials.
- Does not require restoring a building or its features to their original appearance.
- Non-historic features may be removed or retained, if desired.
- New, compatible alterations or additions may be added.
- New additions outside the existing building envelope **cannot** be claimed for the credit.

Owner must spend more than \$5,000 during a 24-month period. Owners may qualify for a 60-month phased project, but it requires more up-front planning.

Eligible rehabilitation expenditures may include:

- Architectural and construction costs on the historic building.
- Soft costs that are depreciable rather than taken as a one-time expense: Architectural and Engineering fees, survey, legal, development fees, construction-related costs.

Ineligible expenditures include acquisition, furnishings, new additions, or landscape or site improvements. It is strongly recommended that applications be filed before work begins to avoid costly mistakes or possible denial.

Administered by the [Illinois Historic Preservation Agency](#), National Park Service, and Internal Revenue Service (IRS).

10% Rehabilitation Tax Credit for Non-Historic Commercial Buildings Built Before 1936

This program reduces the building owners' federal income taxes by 10% of the project's budget.

- Receive a credit of 10% of the amount spent to rehab a 'non-historic' building built before 1936.
- Buildings that are not listed on the National Register are eligible.
- Income-producing residential (i.e., apartments) and owner-occupied housing are not eligible.
- Owner must spend more than \$5,000 during a 24-month period.
- Eligible expenditures may include:
 - Architectural and construction costs on the historic building.
 - Soft costs that are depreciable rather than taken as a one-time expense: Architectural and Engineering fees, survey, legal, development fees, construction-related costs.
- Ineligible expenditures include acquisition, furnishings, new additions, or landscape or site improvements.

Administered by IRS. Go to the IRS website to download  [Form 3468](#) and read the [Form 3468 instructions](#). Contact the IRS at (800) 829-1040.

50% Disabled Access Tax Credit

This program reduces the building owners' federal income taxes by 50% of the amount spent making a business handicap accessible, to a maximum of \$5,000 of credit per year. This tax credit is designed for rehabilitation of buildings that house small businesses

Administered by the IRS. Go to the IRS website to  [download Form 8826 \(Disabled Access Credit\)](#) and instructions. Contact the IRS at (800) 829-1040.

OTHER TAX INCENTIVE PROGRAMS

State Property Tax Assessment Freeze Program

This program freezes the assessed value of owner-occupied, historic residences at the pre-rehabilitation rate for 8 years, after which the value is raised in steps over the next 4 years up to the current level.

Buildings must be owner-occupied housing:

- Single-family houses
- Residential buildings with up to six units as long as the building owner resides in one of the units
- Condominium buildings
- Cooperatives

Buildings must be designated as historic in at least one of the following ways:

- Individually listed on the National Register of Historic Places in any community in Illinois;

- A contributing property within a National Register Historic District in any community in Illinois;
- Individually listed on the Illinois Register of Historic Places in any community in Illinois;
- An individual local landmark in a community with an approved preservation ordinance;
- A contributing property within a local historic district in a community with an approved preservation ordinance

Projects must be certified by the IHPA to meet the Secretary of the Interior's Standards for Rehabilitation.

Project's eligible expenses must equal or exceed 25% of the assessor's "fair cash value" of the property for the year the rehabilitation started.

The [Tax Assessment Freeze Program](#) is administered by IHPA. Contact Carol Dyson at the IHPA at (217) 524-0276 or via email at carol.dyson@illinois.gov.

Cook County Class L Incentive Program

This incentive provides a reduced property tax assessment ratio to a locally designated industrial or commercial property that has undergone a rehabilitation whose budget is at least 50% of the building's market value.

- Requires approval of Certified Local Government.
- Only for Cook County.

Administered by Cook County Assessor's Office  [Incentive Program](#). For buildings outside Chicago city limits but still in Cook County, contact Manager of Incentives, Cook County Assessor's Office at (312) 603-4137.

Preservation Easements

A preservation easement is a voluntary legal agreement between a property owner and a preservation organization to preserve and protect all open-air sides of a historic structure. Under current tax laws, an easement donation may qualify as a charitable contribution, with federal income-tax benefits, based on the value of the easement, as determined by a qualified appraiser.

- Building must be a certified historic structure:
 - individually listed on the National Register of Historic Places;
 - a contributing property within a National Register Historic District;
 - a contributing property within a local historic district that has been certified by the National Park Service.
 - Individually listed local landmarks are not eligible.
- The easement is granted in perpetuity and recorded against the deed.
- The portion of the building property rights that are donated are monitored and protected by the preservation organization. The owner seeks approval from the easement holder prior to construction.
- At the time of donation, the donor also gives a one-time, tax-deductible charitable contribution to assist with the costs of monitoring and defending the easement in perpetuity.
- Owners taking the federal tax credit must wait until the 5-year recapture period has elapsed before pursuing an easement donation.

Administered by various entities. In Illinois, [Landmarks Illinois](#) (312-922-1742) is a non-profit preservation advocacy organization that accepts preservation easements. Contact Suzanne Germann: germanns@lpci.org.

Matching Grants from the National Trust for Historic Preservation

The National Trust has a variety of matching grant programs for non-capital projects, including the Preservation Services Fund, which provides funding to non-profit, public agencies, or educational institutions for consultant services, educational programs, or conferences.

Administered by the [National Trust for Historic Preservation](#). Contact Chris Morris in the National Trust's Midwest Office in Chicago at (312) 939-5547, x37231 or christina_morris@nthp.org.

Donnelley Preservation Fund for Illinois: Provides non-profit organizations and public agencies matching grants from \$500 to \$5,000 (typically from \$3,000 to \$5,000) for preservation planning and education efforts. Funds may be used to obtain professional expertise in areas such as architecture, archeology, engineering, preservation planning, land-use planning, fund raising, organizational development and law as well as preservation education activities to educate the public, owners, and business owners. Many organizations have found that these funds provided the crucial boost to get a project off the ground and attract other potential contributors to the project. There is one grant round per year on February 1, with an additional round on June 1 and October 1, depending on the availability of funding. The [Preservation Fund application](#) is available online.

Johanna Favrot Fund for Historic Preservation: Provides non-profit organizations and public agencies matching grants ranging from \$2,500 to \$10,000 for projects that contribute to the preservation or the recapture of an authentic sense of place. Individuals and for-profit businesses may apply only if the project for which funding is requested involves a National Historic Landmark. Funds may be used for professional advice, conferences, workshops and education programs.

Cynthia Woods Mitchell Fund for Historic Interiors: Provides nonprofit organizations and public agencies matching grants ranging from \$2,500 to \$10,000 to assist in the preservation, restoration, and interpretation of historic interiors. Individuals and for-profit businesses may apply only if the project for which funding is requested involves a National Historic Landmark. Funds may be used for professional expertise, print and video communications materials, and education programs.

Jeffris Heartland Fund: Established by the Jeffris Family Foundation to support the development of important historic preservation projects in the states of Iowa, Illinois, Indiana, Michigan, Minnesota, Missouri, and Ohio. The fund makes grants in the range of \$5,000 to \$50,000 for Historic Structure Reports and other advanced planning studies. Funds must be matched dollar-for-dollar with cash from sources unrelated to the National Trust and the Jeffris Family Foundation. Applicants must be able to demonstrate the viability of their project through the submittal of early planning studies, and must be ready for the preparation of a Historic Structure Report, or other advanced planning studies, leading toward a community-centered capital fund drive. Projects in communities with more than 150,000 in population are NOT eligible to apply. Priority will be given to projects located outside of metropolitan areas. Please see the [Jeffris Heartland Fund Criteria](#) for Project Selection.

GENERAL INFORMATION

- [Illinois Historic Preservation Agency \(IHPA\)](#)
- [Illinois Clean Energy Community Foundation](#)
- [National Park Service, Heritage Preservation Services](#)
- [Internal Revenue Service:](#)
- [Landmarks Illinois](#)
- [National Trust for Historic Preservation \(NTHP\):](#)
- National Trust for Historic Preservation Midwest Office