

# State Historic Homes Rehabilitation Tax Credit CGS 10-416



# Historic Homes Rehabilitation Tax Credit

## Basic Eligibility Requirements

- Listed on the State or National Register
- Located in a Program Targeted Area (***STARTING JULY 1, 2015, THE PROGRAM WILL BE STATEWIDE***)
  - A federally designated "qualified census tract" in which 70% or more of the families have a median income of 80% or less of the state-wide median family income,
  - A state designated and federally approved area of chronic economic distress, or
  - An urban and regional center as identified in the Connecticut Conservation and Development Policies Plan;
- Project costs of at least \$25,000 (***STARTING JULY 1, 2015, PROJECT COSTS MUST BE MORE THAN \$15,000***)
- Must Comply with Secretary of the Interior's Standards

# Historic Homes Rehabilitation Tax Credit

- Equal to 30% of eligible project costs
- Up to \$30,000/unit
- 1-4 units—1 Owner-Occupied

## *Sample Tax Credit Calculations*

### *Single Property Homeowner*

Rehab costs of \$150,000

Tax Credit=\$30,000

$\$150,000 * 30\% = \$45,000$ . Cap of \$30,000/unit

### *Duplex (own and occupy one unit, rent the other)*

Rehab costs of \$150,000

Tax Credit = \$45,000

$\$150,000 * 30\% = \$45,000$ . 2 units cap at \$60,000

### *4-unit House*

Sell to one owner-occupant upon completion of project

Rehab costs of \$400,000

Tax Credit = \$120,000

$\$400,000 * 30\% = \$120,000$ . \$30,000 for each of 4 units

# Who Can Take the Historic Homes Rehabilitation Tax Credit?

- Not the individual
- Not the non-profit housing development corporation (tax-exempt)
- Only Corporations paying taxes under Chapters 207-212 of CGS
- Tax credit must be assigned to a qualifying corporation in exchange for:
  - Cash
  - Grants
  - Reducing the amount owed on an extension of credit (from that corporation)

# Secretary of Interior's Standards for the Rehabilitation of Historic Properties

A list of Ten guidelines to be applied in a reasonable manner taking into consideration economic and technical feasibility

## Highlights:

- Historic character shall be retained and preserved
- Distinctive Features, Finishes and Construction Techniques shall be Preserved
- Deteriorated Historic Features Shall be Repaired Rather Than Replaced
- Chemical or Physical Treatments that Cause Damage to Historic Materials Shall Not be Used

# Qualified Applicants



- Any taxpayer filing a state of Connecticut tax return who possesses title to an historic home, or prospective title to an historic home in the form of a purchase agreement or option to purchase,
- Or a nonprofit corporation that possesses such title or prospective title

# *Application Process*

## *4 Parts*

### *RTC-1-Request For Historic Property Determination*

- Listed individually or as part of a State or National Register District
- In a Targeted Program Area
- Photos of each elevation plus streetscape
- Photo of outbuilding(s)

### *RTC-2-Request for Certification of Proposed Rehabilitation Work*

- Detailed Work Plan
- Photos and Drawings
- Budget Based on Contractor Estimates
- Material Specifications



*\*Detailed instructions are on our website at [www.cultureandtourism.org](http://www.cultureandtourism.org)*

# Qualified Rehabilitation Expenditures: Costs Incurred for the Physical Construction Involved in the Rehabilitation of a Historic Home

## Exterior

- Foundation
- Porches and steps
- Windows
- Roof
- Gutters/downspouts
- Chimneys
- Siding



## Mechanical systems

- HVAC
- Plumbing
- Electrical
- Solar panels

## Interior

- Floors
- Walls
- Ceiling
- Staircases and Stair halls
- Original Decorative Details
- Original built-in Millwork



# Ineligible Expenditures

- Permits and Fees
- Architectural, Engineering and Design Costs
- Moveable Laundry and Kitchen Appliances
- Blinds, Shades, Lighting Fixtures and Carpets
- Landscaping/Site work
- New Construction
- Driveways and Sidewalks
- Fences
- Personal Labor

## Work Generally Not approved:

- Replacement windows
- Replacing “Yankee” or built-in gutters
- Window conversions
- Wholesale removal of siding
- Blown-in foam insulation
- Plastic/vinyl trim
- Drywall laminated to plaster ceilings
- “Permanent” Paint products

# WINDOWS

- Did you know...
- Only 10% of a typical home's heat loss is through its windows
- Old windows are not as inefficient as you might think. Many studies show that a rehabilitated window (new glazing, weather-stripping, carpentry work, and paint) in tandem with a storm window performs as well and sometimes better than the average replacement.
- Most replacement windows have only a 10-20 year warranty (and often don't last that long). Compare this to windows constructed 100 years ago that continue to perform with just a little maintenance.

# WINDOWS

When historic wood windows are beyond repair, the following factors should be considered in evaluating the match of a replacement window:



## Historic Preservation Tax Incentives Program

Technical Preservation Services  
National Park Service

### Replacement Windows that Meet the Standards

The decision-making process for selecting replacement windows divides into two tracks depending on whether historic windows remain in place or no historic windows survive.

#### Replacement of Existing Historic Windows

When historic windows exist, they should be repaired when possible. When they are too deteriorated to repair, selection of the replacement windows must be guided by Standard 6. Design, visual qualities, and materials are specific criteria provided by the Standard that are pertinent to evaluating the match of a replacement window. Evaluating the adequacy of the match of the replacement window involves the consideration of multiple issues.

- Window unit placement
- Window frame size and shape
- Glass size and divisions
- Sash elements width and depth
- Materials and finish
- Glass Characteristics

# INSULATION

Did you know...

- Adding blown-in insulation to historic wall assemblies may trap moisture within the wall and lead to accelerated and often hidden deterioration of the structure.
- The verdict is still out on the chemical reaction between original building fabric and the spray on foam that adheres to structural members—in any case, it is not easily reversible.

# SOLAR PANELS

- Usually installed on roofs
- Visibility from public right of way must be limited
- Best accommodated on buildings with a flat roof or a parapet



# Helpful Websites:

## *National Park Service*

- <http://www.nps.gov/history/hps/tps/weather>
- New Sustainability Guidelines

## *National Trust For Historic Preservation*

- <http://www.preservationnation.org/issues/>
  - Weatherization
  - Sustainability

# Other Considerations

- Above all else, this is a preservation program
- Major alterations to floor plans will likely not be approved
- There is a hierarchy of spaces (public vs. private)



# Application Process

## Cont'd

- Application is Reviewed—30 Days
- Tax Credit Reservation is Issued
- Good for 5 Years From Date of Issuance

### *Part 2 Application Amendment*

- To Ensure Ongoing Compliance with Secretary of the Interior's Standards
- Does Not Provide for Increasing the Tax Credit Reservation

# Application Process

## Cont'd.

### *RTC-3: Request for Certification of Completed Rehabilitation Work*

- Photographs of Completed Work

### *Financial Documentation for Determination of Final Tax Credit Amount*

- By Category: Mirror your Part 2
- Work Item
- Amount Paid
- To Whom
- Method of Payment
- Proof of Payment (cancelled checks, bank statement, credit card receipts)

# *Financial Documentation for Determination of Final Tax Credit Amount*

## *Cont'd*

*Tax Credit Amount =  
Smaller of Amount of Reservation or 30% of Actual Expenditures*

### Example A

Estimated Budget=	\$75,000
Tax Credit Reservation=	\$22,500
Actual Expenses=	\$60,000
Tax Credit=	\$18,000 (not \$22,500)

### Example B

Estimated Budget=	\$75,000
Tax Credit Reservation=	\$22,500
Actual Expenses=	\$100,000
Tax Credit=	\$22,500 (not \$30,000)

***RTC-4: Request for Issuance of Tax Credit Voucher:***

4 Parts:

RTC-4—Assignment of Tax Credit Voucher

Corporation paying taxes under chapters 207-212 of the  
Connecticut General Statutes

RTC-4-1—Owner Occupancy Assurance Statement

RTC-4-2—Contributing Taxpayer Statement of Funds  
Transactions

RTC-4-3—Owner Certification of Taxpayer as Contributing

# Upcoming Changes

Beginning July 1, 2015

- The program will be available statewide, although 70% of all credits reserved per year must be allocated to applicants in Program Targeted Areas
- The minimum expenditure to qualify will drop from \$25,000 to \$15,000

# Tips for a Successful and Expedient Application Process

- Get Approval Before Beginning Work
- Call The Program Administrator with any Questions:  
**Julie Carmelich**  
**(860) 256-2762**  
[julie.carmelich@ct.gov](mailto:julie.carmelich@ct.gov)
- Keep Detailed Record of Expenditures During Process
- Submit a Complete Application—Fill In All the Blanks!
- No bells and whistles—8.5 x 11 paper—2 inch top margin
- Not too many photos! Mount on 8.5x 11 paper
- ***We do not accept electronic submissions!*** Hard copies with original signature must be provided.



## **Part 1: Don't Forget:**

- Photos (Including Outbuildings)
- State/National Register Listing Info (call if unsure)
- CT Tax Registration # (Social Security Number)

## **Part 2: Don't Forget:**

- Submit a Written Estimated Budget
- List Each Work Item Separately, Describe current condition and work you plan to perform
- Be Clear about Materials Used and Rehabilitation Methods