

# Federal Rehabilitation Tax Credit

## To be eligible for the 20% Tax Credit:

1. The building must be certified as a historic building in a National Register Historic District or must be individually listed in the National Register of Historic Places. Owners of historic buildings which are not currently on the Register may apply for Register listing through the Division of Historic Preservation by contacting the National Register staff at (225) 219-4595.
2. The building must be used for income producing purposes, such as office, retail, rental residential, or industrial. The building must be depreciable and not used as a private residence.
3. Exterior and interior work must be undertaken according to the Secretary of the Interior's Standards for Rehabilitation.
4. The project must meet the "substantial rehabilitation test." In general, this means the cost of the rehabilitation work must exceed the adjusted basis of the building. If the building is a recent purchase, the adjusted basis is figured as the purchase price of the property less the appraised value of the land. If the building is not a recent purchase, the adjusted basis can be found by checking the building's current depreciated value listed in the previous year's income tax return.
5. Projects are generally completed within two years. The specific requirement is that within 24 months the project must have expended enough funds to exceed the building's adjusted basis. A project may take up to 60 months if permission is requested in advance.
6. After rehabilitation, the building must be owned by the same owner and operated as an income-producing property for five years. If the owner sells the building before five years have passed, he loses 20% of the earned credit for each year short of the full five years.

## The Application Process

The application is a three part process. Each part requires approval or "certification" by the National Park Service. The application is always submitted in duplicate to the Division of Historic Preservation, which retains one copy and forwards the other to the National Park Service.

Part 1: Documents the building as a certified historic structure and one that is eligible to receive the tax credit. If the building is individually listed on the National Register, a Part 1 need not be submitted. If a building is located within a National Register Historic District, a Part 1 must be submitted.

Part 2: Describes the proposed rehabilitation project. This should include all work items on which money is being spent.

Part 3: Request for Certification of Completed Work, documents that the work was completed according to Standards.

For more information or  
first time tax credit inquiries please contact  
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