



## A STEP-BY-STEP GUIDE TO RECEIVING A HISTORIC PRESERVATION TAX CREDIT

Thank you for protecting Colorado's historic places and considering a Historic Preservation Tax Credit! This guide is meant to help you understand the steps that must be completed to obtain your Tax Credit Certificate, and is applicable to Commercial projects. There are also residential credits available through a separate program. If you have a question about any step in the process, please don't hesitate to get in touch with us!

### *Does your project qualify?*

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#### **Applicant Requirements**

To apply for this tax credit, you must be either: 1) a taxpayer filing a state tax return, or 2) an entity that is exempt from federal income taxation pursuant to section 501(c) of the internal revenue code. In either case, you must have control of the property in one of four ways:

- Title to property
- Ownership of a purchase agreement
- Ownership of an option to purchase
- Ownership of a leasehold interest with a remain term of not less than 39 years

#### **Certified Historic Structures**

In order to qualify, your building must be a Certified Historic Structure. In order to be a Certified Historic Structure, the property must meet one of these three criteria:

- The property must be listed individually or as a contributing property in a district included within the National Register of Historic Places
- The property must be listed individually or as a contributing property in a district that is included within the State Register of Historic Properties
- The property must be designated as a landmark or a contributing property within a designated historic district by a certified Local Government

You may apply for the tax credit if you have applied to be a certified historic structure under one of the three criteria listed above. However, the property must be fully designated as a certified historic structure at the time you submit your request for issuance.

#### **Qualified Commercial Structure**

Your structure will have to meet the Qualified Commercial Structure in order for your commercial structure to qualify for tax credits. Qualified Commercial Structures are those Certified Historic Structures that have been certified by the Historical Society as meeting the requirements specified in Section 47(c)(1)(A) and (B) of the Internal Revenue Code.

#### **Cost Basis of the Building**

In order to receive the tax credit, the qualified rehabilitation expenditures must exceed 25% of the original purchase price of the property minus the value attributed to the land.

#### **Qualified Rehabilitation Plans**

Certified Rehabilitation means repairs or alterations to a certified historic structure that have been certified by the historical society or other reviewing entity as meeting the standards for rehabilitation of the Secretary of the Interior. To learn more about what qualifies as meeting these standards, please visit the following resources below:

- [History Colorado](#)

- For specifics on the standards, please see [here](#).
- [Colorado Preservation Inc.](#)
- [House Bill 14-1311](#)

Examples of non-qualifying expenditures include soft costs such as accounting, legal fees, permit fees, or things such as landscaping and additions to the property not considered to be rehabilitation.

### *Applying for your Tax Credit Certificate*

#### **Creating an Account and Submitting Questionnaire**

**Good news here—Tax Credit Connection can submit your application for you!** We'll just need to borrow a few minutes of your time to get set up. We'll first create an account for you on the Office of Economic Development and International Trade (OEDIT) website and fill out a brief Qualifying Questionnaire. This questionnaire just gives OEDIT some basic information, such as what the original purchase price of the property was and what the estimated qualifying rehabilitation expenditures will be.

#### **Filling out the Full Application**

Once the Qualified Questionnaire has been reviewed and accepted by OEDIT, you will be ready to fill out the full application. **Again, Tax Credit Connection can help fill out and submit this application for you.** This application is filled out on OEDIT's website, and asks for information such as:

- Details about the property, the owner, and the rehabilitation
- A complete set of work plans (preferably in PDF format)
- A complete set of photographs of the property before the rehabilitation was started
- A complete set of construction drawings (preferably in PDF format)

Once submitted, OEDIT and History Colorado will review the application to determine if it is complete. Once the application and rehabilitation plan have been deemed complete, a tax credit will be reserved for you and notified via email.

#### **Time Limits on Submitting an Application**

At the time you apply, actual rehabilitation might have already started. If not, rehabilitation must commence within 12 months, with 20% of estimated costs having been incurred by the owner not less than 18 months after credits have been reserved. If rehabilitation is already complete, you may still apply for the tax credit as long as the tax credit is claimed in the taxable year in which the certified rehabilitation is placed into service. No tax credits can be issued for expenditures that were incurred prior to July 1, 2015, or more than 24 months prior to the date of submission of the full application.

#### **Applying for the Issuance of Credits**

Upon completion of construction, you will be able to submit the Request for Issuance of the tax credit! **Again, Tax Credit Connection can help here.** This submission includes providing documentation to OEDIT such as pictures of the final rehabilitation and a CPA's list of actual qualifying expenditures (See below). Once OEDIT and History Colorado have reviewed and approved the final documentation

for compliance with the rehabilitation plan and historic preservation standards, the Tax Credit Certificate will be issued. Congrats!

- Work with a Licensed CPA to prepare a Cost and Expense Certification**  
As noted above, once rehabilitation is complete, you must work with a Licensed CPA that is not affiliated with the owner to prepare a Cost and Expense Certification. This document certifies the total qualified rehabilitation expenditures and the total amount of tax credits for which the owner is eligible. If the total amount of the anticipated tax credit to be issued exceeds \$250,000, the Cost and Expense Certification must be audited by a licensed CPA. The reviewing office then has 90 days from receipt of this Certification to issue the Tax Credit Certificate.
  
- Fees**  
There are two associated fees with this tax credit:
  - The Full Application Fee is \$500, **but is only charged to projects that have a requested tax credit amount over \$250,000**
  - The second and last fee is the Issuance Fee. This fee is 3% of the amount of the credit, and is charged before the tax credit is issued to the owner.

### *Selling your tax credits*

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- Transferable Tax Credits**  
You now have up to 10 years to use your tax credits as you wish. If you choose to sell some or all of your tax credits, know that we are here to help! We will match you with a buyer / buyers and send out documents for all parties to sign and return. You will receive 85% of the face value of the credit. So, for a \$100,000 tax credit sale, you would receive a check for \$85,000.
  
- We send you your check(s) and we're done with the sale!**  
Prior to tax day, we'll send your accountant all of the documents he or she needs to file your taxes so you can be sure nothing is missing.

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**For more information, please contact:**

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*This information is not intended to be legal or financial advice. Please consult your own advisor.*