

Georgia State Income Tax Credit Program for Rehabilitated Historic Property

In May 2002, the Georgia state income tax credit program for rehabilitated historic property was signed into law (O.C.G.A. Section 48-7-29.8). The Georgia Department of Natural Resources' Historic Preservation Division (DNR-HPD) and the Georgia Department of Revenue are administering the program. Owners of historic residential and commercial properties who plan to start a substantial rehabilitation on or after January 1, 2004 were eligible to apply for the credit. The program, amended effective January 1, 2009, provides owners of historic residential properties, who complete a DNR-approved rehabilitation the opportunity to take 25% of the rehabilitation expenditures as a state income tax credit, capped at \$100,000. (If the home is located in a target area, as defined in O.C.G.A Section 48-7-29.8, the credit may be equal to 30% of rehabilitation expenditures, also capped at \$100,000.) For any other income producing, certified structure, the credit is 25% of rehabilitation expenditures, with the cap at \$300,000. This includes rental residential properties. The credit is a dollar for dollar reduction in taxes owed to the State of Georgia and is meant to serve as an incentive to those who own historic properties and wish to complete a rehabilitation. The amended program's percentages and caps become effective for projects completed after January 1, 2009.

What properties are eligible?

The property must be eligible for or listed in the Georgia Register of Historic Places. To find out if a property qualifies, please contact the Historic Preservation Division's National Register specialist at 404-651-5911.

Does the rehabilitation have to be reviewed and approved?

Yes, the rehabilitation must meet DNR's *Standards for Rehabilitation*. The Department of Natural Resources' Historic Preservation Division reviews all projects to certify that the project meets the *Standards* according to DNR Rules 391-5-14. The rehabilitation project must be completed after January 1, 2009.

How much does a project have to cost to qualify?

Every project must meet the substantial rehabilitation test and the applicant must certify to the Department of Natural Resources that this test has been met. The substantial rehabilitation test is met when the qualified rehabilitation expenses exceed the following amounts:

- 1) For a historic home used as a principal residence, the lesser of \$25,000 or 50% of the adjusted basis of the building
 - 2) For a historic home used as a principal residence in a target area, \$5,000
 - 3) For any other certified historic structure, the greater of \$5,000 or the adjusted basis of the building
- At least 5% of the qualified rehabilitation expenditures must be allocated to work completed to the exterior of the structure.** Acquisition costs and costs associated with new construction are not qualified rehabilitation expenses.

Department of Revenue Substantial Rehabilitation Worksheet

Since it is the applicant's responsibility to certify that the substantial rehabilitation test has been met when a project is complete, it is recommended that the applicant determine if this test will be easily met before a project starts. The Georgia Department of Revenue developed a worksheet, included in the application packet, in order to help applicants determine if a rehabilitation project will meet the substantial rehabilitation test. After the project is complete, applicants will officially certify on the Part B application that the substantial rehabilitation test has been met.

Application Process

The Rehabilitated Historic Property Application is a two-part process: Part A and Part B, with supplemental information and amendments when necessary. The program is designed to review Part A Preliminary Certification applications before rehabilitation work begins; therefore, the earlier application materials are submitted to HPD for review, the better. Early submission of projects allows HPD to consult with the applicant if necessary and to comment on projects in a meaningful way in hopes of bringing them into conformance with the *Standards*.

Part A – Preliminary Certification

Part A is submitted to HPD to determine if the property is listed or eligible for listing in the Georgia Register of Historic Places and to determine if the proposed work meets the *Standards for Rehabilitation*. Ideally this is submitted to HPD before rehabilitation begins. An application-processing fee of \$50.00 must accompany the Part A (Preliminary Certification). If you are also participating in the Georgia Preferential Property Tax Assessment program, the total fee for both programs is \$75.00. A cashier's check, money order, or official bank check, made payable to the Georgia Department of Natural Resources, are the only acceptable forms of payment. Personal checks are not accepted. The fee is non-refundable. Once all application materials are submitted, allow at least 30 days for HPD to review and comment on the rehabilitation project. After the review, HPD mails the applicant the signed Part A preliminary certification form. Rehabilitation work should be completed within 24 months, or 60 months for a phased project.

Amendments

Amendments are submitted to HPD when there is a change in the scope of work described in the Part A application. This allows a certain amount of flexibility as the project continues to be developed.

Part B – Final Certification

Part B is submitted to HPD after the project is complete. Once all application materials are submitted, allow at least 30 days for HPD to review and certify the rehabilitation project. After HPD reviews the Part B application and approves the rehabilitation, the certified Part B form is mailed to the applicant. The applicant is then responsible for filing the DNR certified Part B application with the appropriate schedule when filing the State of Georgia income tax forms. The DNR-approved Part B application certifies to the Department of Revenue that a certified rehabilitation has been completed in accordance with DNR's *Standards*, and that the owner has certified that the substantial rehabilitation test has been met.

Upon request, HPD will offer technical assistance to rehabilitation tax projects by meeting with individuals at HPD's office or on-site of the project to discuss specific rehab issues. HPD encourages early communication with our office.

For more information, visit our Web site at www.gashpo.org and click on Tax Incentives or contact Ced Dolder, Tax Incentives Coordinator, at 404-651-5566 or ced.dolder@dnr.state.ga.us