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Pat Quinn, Governor

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**Federal Historic Preservation Tax Credits**

Below is the video of the 2007 National Preservation Awards' ceremony held in Minnesota. The Raymond C. Hilliard Homes rehabilitation project received Historic Preservation Tax Credits. For more information about the project see: <http://www.illinoishistory.gov/PS/architectural.htm>



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**BASIC BUILDING**



**MAINTENANCE**

The Federal Historic Preservation Tax Credit Program provides federal income-tax incentives for the rehabilitation of historic income-producing properties. The Illinois Historic Preservation Agency, Preservation Services division, administers it for Illinois properties.

Under the provisions of the Tax Reform Act of 1986, a 20% tax credit is available for the substantial rehabilitation of commercial, agricultural, industrial, or rental residential buildings that are certified as historic. The credit may be subtracted directly from federal income taxes owed by the owner. (Note: The U.S. Internal Revenue Service is the final judge of economic matters relative to certified rehabilitations. Therefore, it is advisable that you consult with a tax accountant or lawyer before completing your tax return.)

**Benefits**

The Historic Preservation Tax Credit Program benefits the owner, the occupants, and the community by:

- Encouraging protection of landmarks through the promotion, recognition, and designation of historic structures
- Increasing the value of the rehabilitated property and returning underutilized structures to the tax rolls
- Upgrading downtowns and neighborhoods and often increasing the amount of available housing within the community.



**Provisions**

To qualify for the Investment Tax Credit, a property owner must:

- Have a certified historic structure. To be certified, the building must be listed individually on the National Register of Historic Places or be a contributing part of a historic district that is either listed on the National Register or certified as eligible for the National Register
- Use the building for an income-producing purpose such as rental-residential, commercial, agricultural, or industrial
- Rehabilitate the building in accordance with the Secretary of the Interior's "[Standards for Rehabilitation](#)" and "[Guidelines for Rehabilitating Historic Buildings](#)." The National Park Service (NPS), with advice from our office (State Historic Preservation Office), determines whether a project meets the standards.
- Spend an amount greater than the building's adjusted basis (roughly the current depreciated value of the building not including land value) on the approved rehabilitation project
- Complete the work in a timely manner. Projects must meet the minimum expenditure test within a two-year measuring period, but applicants may take up to five years to complete a phased project if the plans and specs are approved in advance of construction.
- Pay a fee to the NPS; the fee shall be no less than \$250 and no greater than \$2,500 and shall be based upon the qualifying rehabilitation expenditures.

106/707 Review  
Documentation



### Certification Procedure

**Step 1:** [Contact us](#). Our office, the Preservation Services Division of the Illinois Historic Preservation Agency, is the State Historic Preservation Office (SHPO) for Illinois.

- Determine the adjusted basis of your building, and decide whether rehabilitation costs will exceed that amount.
- Ask the SHPO if your property qualifies as a certified historic structure. Individual properties within a National Register or certified local historic district will be certified as historic structures by the NPS with the recommendation of the SHPO if they contribute to the district's historical significance.
- The SHPO will provide you with application forms, guidelines, and instructions. You may obtain all of the printed materials necessary through this web site.
  1. [Click here](#) to for an application, instructions in completing the application, and for a sample completed application.
  2. Review excerpts of the [Tax Reform Act of 1986](#) relating to historic structures, and "[Historic Preservation Certifications, Final Rule](#)," a condensation of the applicable rules of the Department on the Interior regarding certifications as published in the February 26, 1990 issue of the Federal Register.
  3. [Click here](#) for special IRS rules and regulations regarding tax credits.
  4. [Click here](#) for the Secretary of the Interior's "Standards for Rehabilitation."
  5. [Click here](#) for Guidelines for Rehabilitating Historic Buildings.
- The SHPO will usually schedule a site inspection. A site inspection is recommended before construction begins.

**Step 2:** Obtain Conditional Approval of Rehabilitation Plans from SHPO and NPS.

- Provide the SHPO with the proposed rehabilitation plans and photographs showing the condition of the building prior to initiating work. The SHPO will advise the applicant whether or not the interior and exterior rehabilitation plans comply with the Secretary of the Interior's "[Standards for Rehabilitation](#)." The design review not only includes all exterior work, such as window alterations or masonry work, but also interior alterations.

- The SHPO will submit the tax-credit application to the NPS for the required federal certification and make formal recommendations about the project status. Upon receipt of the application from the SHPO, the NPS will bill the owner for the initial fee, which must be received for the project to be reviewed.
- Once your preliminary plans are approved by the NPS, you can begin the rehabilitation project. Contact the SHPO if there are changes or if questions arise during the course of the rehabilitation.

**Step 3:** Obtain Final Approval

- When the project is completed, forward to the SHPO the Request for Certification of Completed Work (contained in the application) and photographs showing the completed project.
- The SHPO will perform a site inspection of the completed project.
- The SHPO will submit the Request for Certification of Completed work to the NPS. The NPS will bill the owner for the fee based upon the final project cost, with a maximum fee of \$2,500. The NPS, with the recommendation of the SHPO, will issue a Certificate of Rehabilitation for successfully completed projects. This certificate is submitted to the Internal Revenue Service (IRS) with the owner's tax forms to claim credit.

**Special Conditions** Owners are strongly advised to contact the SHPO prior to any construction. Although approval is not required before a project begins, it is highly recommended. Any work undertaken prior to approval is completely at the owner's risk and could disqualify a claim to a tax credit if it does not meet the "Standards for Rehabilitation." If, during a five-year period following the credit the property is sold, its use changes from income-producing, or the property is altered in a manner not following the Secretary of the Interior's "[Standards for Rehabilitation](#)," the Certification may be revoked and all or part of the tax credit recaptured by the IRS.

The Illinois Historic Preservation Agency administers several incentive programs for rehabilitating historic buildings. For additional information, [contact us](#), or visit the National Park Service site, [Historic Preservation Tax Incentives](#).