Indiana Department of Revenue

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Income Tax Information Bulletin	#87
Subject:	Historic Building Rehabilitation Tax Credit
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Replaces Bulletin #87, dated July 2019

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Summary of Changes

Apart from technical, nonsubstantive changes, this bulletin has been revised to reflect that effective January 1, 2019, the credit discussed in this bulletin has expired. Further, it has been revised to clarify the awarding of credits in years subsequent to June 30, 2016, and how those credits may be carried forward.

Introduction

An income tax credit was available for the rehabilitation of historic property. The credit could be applied against Indiana adjusted gross income tax. The statute providing for the credit expired in 2019. No expenditures made after June 30, 2016, or in a taxable year beginning after December 31, 2015, are eligible for certification. However, previously-granted credits are eligible for carryforward as outlined below.

Qualified Taxpayers

The entities that could qualify for the credit included an individual, a corporation, an S corporation, a partnership, a limited liability company, a limited liability partnership, a nonprofit organization, and a joint venture. If a pass-through entity was entitled to a credit but did not have state tax liability against which the credit could be applied, a shareholder, partner, or member of the pass-through entity was entitled to a credit equal to the tax credit determined for the pass-through entity for the taxable year multiplied by the percentage of the pass-through entity's distributive income to which the shareholder, partner, or member was entitled.

Qualified Expenditures

“Qualified expenditures” means expenditures for preservation or rehabilitation that are chargeable to a capital account. The term does not include costs that are incurred to do any of the following:

1. Acquire a property or an interest in a property.
2. Pay taxes due on a property.
3. Enlarge an existing structure.
4. Pay realtor’s fees associated with a structure or property.
5. Pay paving and landscaping costs.
6. Pay sales and marketing costs.

Qualification for the Tax Credit

A taxpayer qualified for the credit if all the following conditions were met:

1. The historic property is located in Indiana, is at least 50 years old, and is owned by the taxpayer.
2. The Office of Community and Rural Affairs (OCRA) with the assistance of the Division of Historic Preservation and Archaeology of the Department of Natural Resources (DNR) certifies that the historic property is listed in the register of Indiana historic sites and historic structures.
3. The OCRA certifies that the taxpayer submitted a proposed preservation or renovation plan to the OCRA that complies with the standards of the OCRA.
4. The OCRA certifies that the preservation or rehabilitation work substantially complies with the proposed plan mentioned above.
5. The preservation or rehabilitation work is completed in not more than two years or within five years if the preservation or rehabilitation plan indicated that the preservation or rehabilitation is initially planned for completion in phases.
6. The historic property is actively used in a trade or business, held for the production of income, or held for the rental or other use in the ordinary course of the taxpayer’s trade or business.

Limitation of the Tax Credit

The qualified expenditures for the preservation or rehabilitation of the property must have exceeded $10,000. The tax credit was equal to 20% of the qualified expenditure the taxpayer makes for the preservation or rehabilitation of the property. The total amount of all credits for all taxpayers for a fiscal year was limited to $450,000. The OCRA would not approve any additional credits once the $450,000 limit was certified.

In addition, for expenditures made in a taxable year beginning after December 31, 2015, no amount was eligible for the credit. Further, the OCRA could not certify a credit for any expenditures made after June 30, 2016.

Authorization to Claim and Carry Forward the Credit

If a taxpayer was granted a historic rehabilitation tax credit by the DNR before January 1, 2016, for a qualified expenditure made before June 30, 2016, for use in a taxable year other than the year in which the preservation or rehabilitation of the historic property was performed and the certification of the credit was provided by the DNR, the credit may nevertheless be claimed in the subsequent year for which the credit was granted by the DNR.

If the credit exceeds a taxpayer's state tax liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years and used as a credit against their adjusted gross income tax otherwise due during those taxable years. Each time that the credit is carried over to a succeeding taxable year, the credit is to be reduced by the amount that was used as a credit during the immediately preceding taxable year. The credit provided may be carried forward and applied to succeeding taxable years for 15 taxable years following the taxable year in which the taxpayer is first entitled to claim the credit. A credit earned by a taxpayer in a particular taxable year shall be applied against the taxpayer's tax liability for that taxable year before any credit carryover is applied against that liability.

A taxpayer is not entitled to any carryback or refund of any unused credit.

Procedure to Claim the Credit

The taxpayer shall claim the credit on the taxpayer’s annual state income tax return. The taxpayer shall submit to the department the certification approved by the OCRA.

Recapture of Credit Claimed

The historic building rehabilitation tax credit shall be recaptured from the taxpayer if:

1. The ownership of the property is transferred within five years of the completion of the certified preservation or rehabilitation work; or
2. Additional modifications to the property are undertaken that do not meet the standards of the historic preservation or rehabilitation within five years of the completion of the certified preservation or rehabilitation work.

If the recapture of a credit is required, an amount equal to the credit recaptured shall be added to the tax liability of the taxpayer for the taxable year during which the credit is recaptured.

If you have any questions concerning this bulletin, please contact the Tax Policy Division at taxpolicy@dor.in.gov.

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