



Place Yourself in Kansas History Rehabilitation Tax Credit program is an incentive program to encourage the rehabilitation of historic buildings across the state. The program provides for a state income tax credit equal to 25% of qualified expenses on qualified historic structures used for either income-producing or non-income-producing purposes. The Kansas State Historic Preservation



Office (SHPO) administers the program.

Requirements for the State Tax Credit

Determine whether your project meets the requirements for the federal rehabilitation tax credit program. Projects approved for the federal rehabilitation tax credit program (for income-producing properties) will be automatically approved for the state rehabilitation tax credit program. Projects on non-income-producing buildings, not eligible for the federal program, must be approved prior to the commencement of work.

Properties eligible for the state credit, but not the federal, must be listed on the state or national register prior to the commencement of work. If the property is located within a historic district, it must be certified as contributing to the district.

Project work must exceed \$5,000.

Project work must conform to the Secretary of the Interior's *Standards for Rebabilitation*. Conforming to these standards assists in the long-term preservation of a property's significance through the preservation of historic materials and features. (See page 8 for a list of these standards.)

Applicants must provide detailed photographs of the building as part of the application process. Please include at least six interior and six exterior photos showing details of areas where work will take place.

Applicants must apply to the State Historic Preservation Office (SHPO). In order to receive the tax credit, the applicant must complete three parts of an application form. The process is summarized on the following page.

Application Process

The application for the state tax credit is a threepart process. Parts 1 and 2 of the application may be submitted to the SHPO together. Part 3 is submitted after the rehabilitation work is complete.

part 1

Qualified Historic Structure Certification — This form will only need to be completed if the

property is within a recognized historic district. This part will be reviewed to certify that the property is a contributing structure within the district. Contributing structures are those that contribute to the significance and character of the district.

part 2

Qualified Rehabilitation Certification — This form is required for all applicants to certify

that the project meets the Secretary of the Interior's Standards for Rebabilitation. In Part 2, the applicant will outline the building's condition and all proposed work. The applicant must submit photographs of the building showing all areas of proposed changes. Photographic documentation of areas to be rehabilitated provides valuable information in the review process. The SHPO reviews all plans submitted in Part 2 and certifies that they comply with the Secretary of the Interior's Standards for Rebabilitation. The SHPO will advise applicants and provide technical assistance when needed. Work may begin on the project only after approval by the SHPO.

part 3

Rehabilitation Completion Certification – Part 3 is submitted when all work is

complete. Upon review and approval of Part 3, applicants may claim 25% of the approved expenses toward their state income, privilege, or premium taxes.

Application Processing Fee

The law requires that the SHPO receive an application-processing fee for all projects (K.A.R. 118-5-10). The fee is based on the dollar amount of the qualified rehabilitation expenditures and is not due until requested. These fees are listed below.

<u>Fee</u>	Qualified Rehabilitation
	Expenditures
\$200	\$5000-\$25,000
\$350	\$25,001-\$50,000
\$500	\$50,001-\$100,000
\$900	\$100,001-\$500,000
\$1,500	\$500,001-\$1,000,000
\$2,000	over \$1,000,000
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Qualified Expenditures

The state rehabilitation tax credit provides for a tax credit equal to 25% of qualifying rehabilitation expenses on certified historic structures. Qualified expenditures are the costs and expenses incurred in the restoration and preservation of a certified

historic structure pursuant to a qualified rehabilitation plan. The State Historic Preservation Office reviews all applications to determine qualified expenditures. (K.A.R. 118-5-1)

On the following page are examples of qualified and unqualified expenses. This list is not comprehensive. Contact the SHPO for further information.



Examples of Qualified Costs

- · Walls
- · Doors
- · Partitions
- · Windows
- Floors
- · Stairs
- · Ceilings
- · Chimneys
- · Fire escapes
- · Sprinkling systems · Escalators and
- elevators Engineering fees
- · Construction period interest and taxes
- · Architect fees
- · Permanent coverings such as paneling or
- · Reasonable developer fees

- · Electrical wiring and lighting fixtures
- · Roofing
- · Components of central air conditioning or heating systems
- Plumbing and plumbing fixtures
- Construction management costs
- · Any fees paid that would normally be charged to a capital account
- · Other components related to the operation or maintenance of the building
- · Carpeting (if glued)

Claiming the Tax Credit

When the planned work is complete and Part 3 of the application is approved, owners may claim the tax credit on Form K-35. The form is available from the Kansas Department of Revenue. If the amount of the credit exceeds the taxpayer's income, privilege, or premium tax liability for the year in which the rehabilitation costs were incurred, the excess amount may be carried over for up to ten years. These tax credits are also transferrable. Please contact SHPO for more details.

Examples of Unqualified Costs

- · Acquisition costs
- · Leasing expenses
- Appliances
- · Fencing
- · Cabinets
- · Feasibility studies
- · Outdoor lighting remote from building
- · Financing fees
- · Carpeting (if tacked in place)
- Parking lots
- Decks (if not original to building)
- · Paving
- Demolition costs (removal of a building on property site)
- · Planters

- · Enlargement costs (increase in total volume)
- · Retaining walls
- Moving (building) costs (if part of acquisition)
- Furniture
- Porches and porticos (if not original to building) · Sidewalks
- · Storm sewer construction costs
- Signage
- · Landscaping
- · Window treatments (curtains, blinds,...)



Secretary of the Interior's Standards for Rehabilitation

The following is a summary of the Secretary of the Interior's Standards for Rehabilitation. These standards apply to historic buildings of all periods, sizes, styles, types, and materials. They apply to interior and exterior work, as well as land-scape and environmental changes. Please contact the State Historic Preservation Office for further information.

- A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
- The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
- Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
 - Changes to a property that have acquired historic significance in their own right will be retained and preserved.

Distinctive materials, features, finishes, and construction techniques or examples of crafts-manship that characterize a property will be preserved.

Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical midence.

- Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials, such as sandblasting, will not be used.
- Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
- New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work will be differentiated from the old and will be compatible with the historic materials, features, size, scale, and proportion, and massing to protect the integrity of the property and its environment.
- New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic



property and its environment would be unimpaired.

Other tax incentives

Federal Rehabilitation Tax Credit – This program is administered by the National Park Service (NPS), the Internal Revenue Service, and the State Historic Preservation Office (SHPO). This 20% income tax credit is available for depreciable resources rehabilitated for commercial, industrial, agricultural, or rental residential uses. It is not available for rehabilitating residential properties. Properties must be listed or determined eligible for listing on the National Register of Historic Places. Please contact the SHPO for further information.

Federal Tax Credits for Non-historic Buildings – This program provides a 10 percent tax credit for rehabilitation of buildings that are not listed in the National Register of Historic Places, but were built prior to 1936. The credit applies only to buildings rehabilitated for non-residential uses. Rental housing does not qualify, but hotels would qualify. This tax credit cannot be used in conjunction with the 20% federal credit since their requirements are mutually exclusive. The 10% tax credit requires no formal review process. Please contact the SHPO for further information.

Investment Tax Credit for Low Income Housing — This credit is approximately 9% per year for 10 years for each unit acquired, constructed, or rehabilitated without other Federal subsidies and approximately 4% for 10 years for units involving the 20% Federal rehabilitation tax credit, Federal subsidies, or tax-exempt bonds. (Preservation Tax Incentives for Historic Buildings, National Park Service, 1996)

For further information contact:

Tax Incentive Program
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Kansas State Historical Society

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