Illinois Historic Preservation Agency

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HISTORIC PRESERVATION FINANCIAL INCENTIVES

Financial incentives fall into four major categories: *federal rehabilitation tax credits*, *local incentives*, *low-interest loans*, and *grants*. Of these categories, grants are generally only made to non-profit and government entities. Only at the local level are grants generally made to private, for-profit property owners.

FEDERAL REHABILITATION INVESTMENT TAX CREDITS

The federal tax credits reduce the amount of federal tax owed by owners whose buildings have been rehabilitated to meet certain criteria.

- Federal Rehabilitation Investment Tax Credits (ITC) are applied to an owner's federal taxes owed or to *future tax liabilities*.
- The credit typically is worth a percentage of the cost of the renovation.
- The Passive Activity Limitations, the Alternative Minimum Tax, and the At-Risk Rules all affect the amount of credit an individual can claim in one year.
- Eligible owners may be individuals or businesses and must pay federal income taxes.
- Approximately $9,000 is the maximum credit any one individual can claim in any one year. Larger credit amounts, however, can be divided up and carried to other years.

20% Rehabilitation Tax Credit for Historic Buildings

Administered by the Illinois Historic Preservation Agency (IHPA, www.illinoishistory.gov/PS/taxcredits.htm), National Park Service (NPS, www.nps.gov/history/hps/tps/tax/index.htm), and Internal Revenue Service (IRS). Contact Mike Ward at the IHPA: 217-785-5042, mike.ward@illinois.gov.

This incentive reduces the building owners' federal income taxes by 20% of the project's budget.

- Program only for income-producing depreciable property:
  - Properties rehabilitated for commercial, agricultural, industrial, rental residential.
- Owner-occupied housing is not eligible.
- Building must be a certified historic structure:
  - Listed on the National Register (individually or contributing to a National Register district); or
  - A contributing building within a local historic district certified by the NPS for the tax credits.
  - Individually listed local landmarks are ***not*** eligible.
- Project must be certified by the NPS to meet the Secretary of the Interior's Standards for Rehabilitation.
  - Requires the preservation the existing significant historic features and materials.
  - Does not require restoring a building or its features to their original appearance.
  - Non-historic features may be removed or retained, if desired.
  - New, compatible alterations or additions may be added.
  - New additions outside the existing building envelope cannot be claimed for the credit.
- Owner must spend more than $5,000 or the Adjusted Basis (explained at the end of this document), whichever is larger, during a 24-month period. Owners may qualify for a 60-month phased project, but it requires more up-front planning.
- Eligible rehabilitation expenditures may include:

    - Architectural and construction costs on the historic building.
    - Soft costs that are depreciable rather than taken as a one-time expense: Architectural and Engineering fees, survey, legal, development fees, construction-related costs.
- Ineligible expenditures include acquisition, furnishings, new additions, or landscape or site improvements.
- It is strongly recommended that applications be filed ***before work begins*** to avoid costly mistakes or possible denial.
- Must fill out a three-part application that is reviewed by IHPA and the NPS.
    - Part I: Certifies that the building is "historic."
    - Part II: Describes the proposed work. Must submit photos of the pre-construction conditions. Architectural drawings and specifications must be submitted if/when available.
    - Part III: Certifies that the work has been completed, has met the Standards, and lists the value of the renovation. The certified Part III is filed with the IRS for claiming the tax credit in the year the project is completed.
- Part I *must* be submitted prior to placing the building in service or the application will be denied.
- The building must be placed in service after completion to claim the credit.
- Sliding fee for review ranging from free for projects < $20,000 up to $2,500 for projects > $1 million.
- Owner must retain the building for five years or return a prorated portion of the credits.
- Approval of proposed work typically takes from 3 to 6 months.

10% Rehabilitation Tax Credit for Non-Historic Commercial Buildings Built Before 1936

Administered by IRS; does not involve review by IHPA. Go to the IRS website to download Form 3468 (www.irs.gov/pub/irs-pdf/f3468.pdf) and read the instructions (www.irs.gov/instructions/i3468/index.html). Contact the IRS: 800-829-1040.

This program reduces the building owners' federal income taxes by 10% of the project's budget.

- Receive a credit of 10% of the amount spent to rehab a ***'non-historic'*** building built before 1936.
- Buildings that are ***not*** listed on the National Register are eligible.
- Income-producing residential (i.e., apartments) and owner-occupied housing are ***not*** eligible.
- Owner must spend more than $5,000 or the Adjusted Basis (explained at the end of this document), whichever is larger, during a 24-month period.
- Eligible expenditures may include:
    - Architectural and construction costs on the historic building.
    - Soft costs that are depreciable rather than taken as a one-time expense: Architectural and Engineering fees, survey, legal, development fees, construction-related costs.
- Ineligible expenditures include acquisition, furnishings, new additions, or landscape or site improvements.
- Building must pass a physical retention test:
    - 50% of exterior walls must remain as exterior walls; ***and***
    - 75% of exterior walls must remain as exterior or interior walls; ***and***
    - 75% of building's internal structure must remain.
- No review by IHPA or NPS. Applicant submits form to the IRS for IRS review.
- No application fee.
- Documentation of expenditures must be retained.

50% Disabled Access Tax Credit

Administered by the IRS. Go to the IRS website to download Form 8826 (Disabled Access Credit) and instructions: www.irs.gov/pub/irs-pdf/f8826.pdf Contact the IRS: 800-829-1040.

This program reduces the building owners' federal income taxes by 50% of the amount spent making a

business handicap accessible, to a maximum of $5,000 of credit per year.

- Designed for rehabilitation of buildings that house small businesses that
    - pay or incur expenses; and
    - have less than $1 million in gross receipts in preceding year; or
    - have fewer than 30 full-time employees in preceding year.
- The expenses must enable the eligible small business to comply with the Americans with Disabilities Act of 1990. Work must meet current ADA Standards.
- Credit may be taken on work expenditures between $250 and $10,250.
- A maximum of $5,000 of credit may be taken each year.
- Documentation of the expenditures must be retained.
- Eligible expenses include installing ramps, restrooms, elevators, sidewalks or walkways, and the redesign of entries and interior circulation.
- Only work that is necessary for accessibility may be claimed as a tax credit.
- New buildings are not eligible.
- Credits may be claimed in more than one tax year provided that the expenses claimed were made in the current tax year.

New Markets Tax Credits

Contact the U.S. Treasury's Community Development Financial Institutions (CDFI) Fund (www.cdfifund.gov) or the National Trust Community Investment Corporation (http://ntcicfunds.com/).

This program provides a credit to the investor that totals 39% of the cost of the investment and is claimed over a 7 year credit allowance period.

U.S. Treasury's Community Development Financial Institutions (CDFI) Fund allocates the New Markets Tax Credit (NMTC) Program, which permits taxpayers to receive a credit (typically 5% to 6% of the amount invested in a distressed area) against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs).

- Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.
- In each of the first 3 years, the investor receives a credit equal to 5% of the total amount paid for the stock or capital interest at the time of purchase. For the final 4 years, the value of the credit is 6% annually.
- Investors may not redeem their investments in CDEs prior to the conclusion of the 7-year period.

Syndication of the Federal Tax Credits

Syndication involves the transference of the tax credits to a corporate investor in exchange for additional equity capital that can help finance the project.

There are many large corporate entities that can syndicate federal tax credits. One such entity is the for-profit arm of the National Trust for Historic Preservation: the National Trust Community Investment Corporation (NTCIC, http://ntcicfunds.com/), which makes equity investments in real estate projects that qualify for federal historic tax credits and when available, state historic tax credits and New Markets Tax Credits.

- Syndication requires that the tax credit investor be admitted into a legal entity, such as a limited partnership or limited liability company that will either own the building or hold a long-term operating lease on the building.
- The tax credit investor acts as either the limited partner or investor member while the building owner serves as either the general partner or managing member.

OTHER TAX INCENTIVE PROGRAMS

State Property Tax Assessment Freeze Program

Administered by IHPA, www.illinoishistory.gov/ps/taxfreeze.htm. Contact Mike Ward: 217-785-5042, mike.ward@illinois.gov

This program freezes the assessed value of owner-occupied, historic residences at the pre-rehabilitation rate for 8 years, after which the value is raised in steps over the next 4 years up to the current level.

- Buildings must be owner-occupied housing:
    - Single-family houses
    - Residential buildings with up to six units as long as the building owner resides in one of the units
    - Condominium buildings
    - Cooperatives
- Buildings must be designated as historic in at least one of the following ways:
    - Individually listed on the National Register of Historic Places in any community in Illinois;
    - A contributing property within a National Register Historic District in any community in Illinois;
    - Individually listed on the Illinois Register of Historic Places in any community in Illinois;
    - An individual local landmark in a community with an approved preservation ordinance;
    - A contributing property within a local historic district in a community with an approved preservation ordinance
- Projects must be certified by the IHPA to meet the Secretary of the Interior's Standards for Rehabilitation.
    - Requires the preservation of significant historic features and materials.
    - Does not require restoring a building or its features to original appearance.
    - Non-historic features may be removed or retained, if desired.
    - New, compatible alterations or additions may be added.
- Project's eligible expenses must equal or exceed 25% of the assessor's "fair cash value" of the property for the year the rehabilitation started.
- No application fee.
- It is strongly recommended that applications be filed ***before work begins*** to avoid costly mistakes or possible denial.

Cook County Class L Incentive Program

Administered by Cook County Assessor's Office. For buildings within Chicago city limits, contact Eleanor Gorski (Deputy Commissioner, Preservation Division, Department of Planning and Development, City of Chicago): 312-744-3201. For buildings outside Chicago city limits but still in Cook County, contact Dominick Spalla (Manager of Incentives, Cook County Assessor's Office): 312-603-4137. www.cookcountyassessor.com/forms/clslb.pdf

This incentive provides a reduced property tax assessment ratio to a locally designated industrial or commercial property that has undergone a rehabilitation whose budget is at least 50% of the building's market value.

- Requires approval of Certified Local Government.
- Only for Cook County.
- For example, real estate taxes for a commercial property with a market value of $1 million prior to rehabilitation would be reduced from $62,000 to $26,150, utilizing the 2007 combined tax rate.

Preservation Easements

Administered by various entities. In Illinois, Landmarks Illinois (www.landmarks.org, 312-922-1742) is a non-profit preservation advocacy organization that accepts preservation easements. Contact Suzanne Germann: germanns@lpci.org.

A preservation easement is a voluntary legal agreement between a property owner and a preservation organization to preserve and protect all open-air sides of a historic structure. Under current tax laws, an easement donation may qualify as a charitable contribution, with federal income-tax benefits, based on the value of the easement, as determined by a qualified appraiser.

- Building must be a certified historic structure:
  - individually listed on the National Register of Historic Places;
  - a contributing property within a National Register Historic District;
  - a contributing property within a local historic district that has been certified by the National Park Service.
  - Individually listed local landmarks are ***not*** eligible.
- The easement is granted in perpetuity and recorded against the deed.
- The portion of the building property rights that are donated are monitored and protected by the preservation organization. The owner seeks approval from the easement holder prior to construction.
- At the time of donation, the donor also gives a one-time, tax-deductible charitable contribution to assist with the costs of monitoring and defending the easement in perpetuity.
- Owners taking the federal tax credit must wait until the 5-year recapture period has elapsed before pursuing an easement donation.

Investment Tax Credit for Low Income Housing

Administered in Illinois by the Illinois Housing and Development Authority (IHDA). Contact the IHDA: 312-836-5200. www.ihda.org/ViewPage.aspx?PageID=150

The Tax Reform Act of 1986 established a credit for acquisition, construction, and rehab of low-income housing.
- Owner must retain for 15 years.
- The amount of credit funds is limited and is allocated by IHDA on an annual basis.

The Architectural and Transportation Barrier Removal Deduction

Administered by the IRS. Go to the IRS website to download Form 8826 form and instructions: www.irs.gov/pub/irs-pdf/f8826.pdf. See also Chapter 11 in Publication 535, *Business Expenses*: www.irs.gov/publications/p535/ch11.html. This is the same program as the 50% Disabled Access Tax Credit

This is a deduction (not a credit) of up to $15,000 per year of the costs of making a facility or public transportation vehicle more accessible to, and usable by persons who are disabled or elderly by removing barriers.

- The cost of an improvement to a business asset is normally a capital expense. However, an owner can choose to deduct the costs of making a facility or public transportation vehicle more usable.
- Can deduct up to $15,000 per year.
- Cannot deduct costs to completely renovate or build a new facility or public transportation vehicle, or to replace depreciable property in the normal course of business.
- Can add any costs over this limit to the basis of the property and depreciate the annual $15,000 tax deduction.

LOCAL INCENTIVES

Local incentives are designed by individual communities to encourage specific renovation programs. They can supplement the federal tax credits and often apply to projects not eligible for the credits. Matching grants are one of the most common local incentives. Grants may be given to eligible applicants for such things as façade renovations, exterior maintenance, new signage and interior remodeling. Grants are commonly matched with private funds in the range of 20% to 50%. Low-interest loans are another common local incentive. The loans are given at reduced interest rate, typically 2 to 5 points below prime. Eligible properties and projects are similar to those of matching grants. Low-interest loans can be given on a matching basis or have a cap on the low-interest portion.

Local governments often have resources available to provide incentives such as grants, low-interest loans, and public investment incentives. The programs can be administered much like any other local incentive program.

Grants and low-interest loans can be funded from special taxes or economic development districts. Tax Increment Financing (TIF) and Special Service Area (SSA) taxing districts are common funding sources. The TIF district collects increased property-tax revenue from a specially defined district over a specific numbers of years. SSAs collect a special tax on properties in the district. The moneys collected *must be reused to improve* the district in which they were collected. Other communities have been designated as state or local economic development or empowerment zones that can provide for financial incentives for district improvements.

Some cities have offered public improvements as incentives. For example, if a property owner invests a certain amount in a façade renovation, the city will agree to replace sidewalks, add pedestrian amenities, or make improvements in the alley next to the building. Another incentive for building improvements is a property tax freeze on renovated buildings for a specified number of years.

LOAN PROGRAMS

Low-interest loans enable owners to borrow money to rehabilitate historic buildings usually at a reduced interest rate.

Community Invest Loans

Administered by Illinois State Treasurer Dan Rutherford: CommunityInvest@treasurer.state.il.us, (312) 814-1244. www.treasurer.il.gov/programs/community-invest/community-development-loans/non-profit-development.aspx

This program offers low-interest, community development loans for organizations to restore their historic buildings for the benefit of future generations.

- Borrowers can receive up to $10 million.
  - The loan duration is two years with the possibility of a three-year extension.
  - A site visit may be required for approval.
- Interest Rates are indexed daily here or contact the Treasurer’s office at (217) 782-2072.
  - The listed rates are posted to give potential borrowers an indication of current rate figures.
  - The final deposit rate is determined on the business day prior to issuing the loan.
- Program Eligibility
  - Non-profit organizations must provide their non-profit certification letter from the Illinois Secretary of State or tax-exempt letter from the IRS.
  - Faith-based organizations must submit a Secular Acknowledgement Form, certifying that no state funds will be used for non-secular purposes.
  - The applicant must show that with the help of the Community Invest loan, their business or organization will provide a benefit to their community.
  - The applicant must provide a brief explanation why conventional loan financing is not adequate

and why a Community Invest loan is necessary incentive.
   - A participating Illinois financial institution must approve the application.
   - For historic preservation, the National Park Service or a certified local government entity must designate the property as a historic landmark.
   - For historic preservation, the applicant must present documentation certifying that he/she will follow the Secretary of the Interior's Standards of Rehabilitation.

203(k) Rehabilitation Loan Program

Administered by the US Department of Housing and Urban Development (HUD). Contact the loan officer at your bank or mortgage institution to find out if they participate: www.hud.gov/offices/hsg/sfh/203k/203k--df.cfm

This program allows a qualifying private owner to borrow a single, long-term mortgage loan to finance *both* the acquisition and rehabilitation of an older home.

- The mortgage amount, which is usually at a higher rate than most mortgages, is based upon the projected value of the property with the work completed, taking into account the cost of the work.
- Can also be used to refinance the mortgage on a home one already owns in order to rehabilitate it.
- Cannot be used for rehabilitating properties for resale.

GRANT PROGRAMS

Most grants are targeted for publicly owned or non-profit-owned buildings and may be geared for specific building or occupancy types. They offer lump sums of money for specific rehabilitations. They can involve stringent qualifying criteria and can be competitive.

Preservation Heritage Fund Grants

Administered by the Landmarks Illinois, 312-922-1742. For full guidelines and procedures, see: www.landmarks.org/heritage_fund_guidelines.htm.

This grant and loan program provides monetary assistance to preserve or protect significant structures or sites in the state of Illinois that are under threat of demolition, imminent deterioration, or are of such architectural importance that their preservation will benefit the public and Illinois community.

- Funds (grants or loans) may be applied to one or more of the following services:
   - Engineering, architectural, and feasibility studies
   - Stabilization
   - Legal services
   - Surveys and National Register Nominations
   - Preservation ordinance support
- Grant amounts are determined by need and are awarded on a matching basis.
- Applicants must be not-for-profit organizations or governmental bodies that own or have sufficient legal control of the resource.
- A project must preserve all or part of the resource. Ordinary maintenance expenses are not considered preservation expenses.
- A project must comply with the Secretary of the Interior’s Standards for Rehabilitation or Restoration.

Public Museum Grants Program

Administered by the Illinois Department of Natural Resources, Illinois State Museum. Contact Damon Stotts, of the Public Museum Grants Program, Illinois Department of Natural Resources: damon.stotts@illinois.gov, 217-

524-8538. www.museum.state.il.us/programs/musgrants/mgrants.html

This program is designed to assist museums in expanding and upgrading facilities and creating new exhibits to enhance the ability of public museums to meet their missions.

- Provides operating funds and capital project funding.
- Grants given to museums operated by or located on land owned by a unit of local government.
- At the time of application, the museum must have been in existence for 2 years and have professional staff.
- A minimum grant of $10,000 is available for operating expenditures; must be matched on a 1:1 basis.

Transportation Enhancement Program (ITEP)

Administered by the Illinois Department of Transportation (IDOT): 217-782-7388. For more information visit www.dot.il.gov/opp/itep.html

This program provides funding for community-based projects that expand travel choices and enhance the transportation experience by improving the cultural, historic, aesthetic and environmental aspects of our transportation infrastructure.

- Project sponsors may receive up to 80% reimbursement for project costs.
- Project must qualify as one of the 12 eligible categories listed in the ITEP Guidelines Manual
- Project must relate to surface transportation to be eligible for funding.

Matching Grants from the National Trust for Historic Preservation

Administered by the National Trust for Historic Preservation, www.preservationnation.org. Contact Chris Morris in the National Trust's Midwest Office in Chicago: 312-939-5547, x37231, christina_morris@nthp.org.

The National Trust has a variety of matching grant programs for non-capital projects, including the Preservation Services Fund, which provides funding to non-profit, public agencies, or educational institutions for consultant services, educational programs, or conferences.

- **Donnelley Preservation Fund for Illinois**: Provides non-profit organizations and public agencies matching grants from $500 to $5,000 (typically from $3,000 to $5,000) for preservation planning and education efforts. Funds may be used to obtain professional expertise in areas such as architecture, archeology, engineering, preservation planning, land-use planning, fund raising, organizational development and law as well as preservation education activities to educate the public, owners, and business owners. Many organizations have found that these funds provided the crucial boost to get a project off the ground and attract other potential contributors to the project. There is one grant round per year on February 1, with an additional round on June 1 and October 1, depending on the availability of funding. The Preservation Fund application is available online at www.preservationnation.org/resources/find-funding/nonprofit-public-funding.html.
  Hart Family Fund for Small Towns: Assists small town preservation and revitalization initiatives around the country, with a focus on towns with populations of 5,000 or less. The Fund provides nonprofit organizations and public agencies matching grants from $5,000 to $10,000 for preservation planning and education efforts. Funds may be used to obtain professional expertise in areas such as architecture, archeology, engineering, preservation planning, land-use planning, fund raising, organizational development and law as well as preservation education activities. The Hart Family Fund uses the Preservation Fund application form, which is available for download from the National Trust website at www.preservationnation.org/resources/find-funding/nonprofit-public-funding.html.
- **Johanna Favrot Fund for Historic Preservation**: Provides non-profit organizations and public agencies matching grants ranging from $2,500 to $10,000 for projects that contribute to the preservation

or the recapture of an authentic sense of place. Individuals and for-profit businesses may apply only if the project for which funding is requested involves a National Historic Landmark. Funds may be used for professional advice, conferences, workshops and education programs.

- **Cynthia Woods Mitchell Fund for Historic Interiors**: Provides nonprofit organizations and public agencies matching grants ranging from $2,500 to $10,000 to assist in the preservation, restoration, and interpretation of historic interiors. Individuals and for-profit businesses may apply only if the project for which funding is requested involves a National Historic Landmark. Funds may be used for professional expertise, print and video communications materials, and education programs.
- **Jeffris Heartland Fund**: Established by the Jeffris Family Foundation to support the development of important historic preservation projects in the states of Iowa, Illinois, Indiana, Michigan, Minnesota, Missouri, and Ohio. The fund makes grants in the range of $5,000 to $50,000 for Historic Structure Reports and other advanced planning studies. Funds must be matched dollar-for-dollar with cash from sources unrelated to the National Trust and the Jeffris Family Foundation. Established 501(c)(3) non-profit organizations or government agencies in partnership with a 501(c)(3) organization are eligible to apply. Applicants must be able to demonstrate the viability of their project through the submittal of early planning studies, and must be ready for the preparation of a Historic Structure Report, or other advanced planning studies, leading toward a community-centered capital fund drive. Projects in communities with more than 150,000 in population are NOT eligible to apply. Priority will be given to projects located outside of metropolitan areas. Please see the Jeffris Heartland Fund Criteria for Project Selection for more details on eligibility requirements, available at www.preservationnation.org/about-us/regional-offices/midwest/.

Illinois Clean Energy Community Foundation

Contact: Illinois Clean Energy Community Foundation (ICECF); email: info@illinoiscleanenergy.org, web: www.illinoiscleanenergy.org

The ICECF has a variety of grants for public and non-profit organizations to make energy efficiency upgrades to their properties. There are also grants for new construction and major renovation.

- There is no specific criteria for historic projects within there overall format, but eligible public buildings include schools, libraries, city halls, etc., any of which could also be historic.
- There is a new program that provides partial funding for "green building" design. Most of the funding categories provide proportional funding related to energy efficiency.

GENERAL INFORMATION

Illinois Historic Preservation Agency (IHPA) Preservation Services Division One Old State Capitol Plaza Springfield, IL 62701-1507	www.illinois-history.gov/ps
Illinois Clean Energy Community Foundation	www.illinoiscleanenergy.org/
National Park Service, Heritage Preservation Services	www.nps.gov/history/hps/
Internal Revenue Service:	www.irs.gov, 800-829-1040
Landmarks Illinois	www.landmarks.org, 312-922-1742
National Trust for Historic Preservation (NTHP):	www.preservationnation.org/
National Trust for Historic Preservation Midwest Office:	312-939-5547

DETERMINING ADJUSTED BASIS & DEPRECIATION

Adjusted Basis is roughly equal to:
Purchase price – land value – annual depreciation + previous capital improvements

Depreciation
- 31.5 years for commercial
- 27.5 for rental residential

Land Value is determined through sales of comparable properties and assessed values. Virtually every commercial property establishes a land value at the time the property is placed in service, as this is necessary to begin claiming the depreciation deduction on income taxes.

The value of previous improvements is also added into the adjusted basis.

EXAMPLE OF 20% INVESTMENT TAX CREDIT FOR HISTORIC BUILDINGS

Owner: Individual, single owner.

Building: Built in 1890, 2 stories, listed as contributing to a National Register District, ground floor retail, second floor former residential unit now used as storage for the store. Owner purchased five years ago for $80,000. The land under the building is valued at $20,000.

Project: Renovate façade, repointing, new roof, interior remodeling.

To roughly calculate the Adjusted Basis, the Depreciation must first be calculated:
Depreciation for commercial floors within a building = ([Purchase Price] – [Land Value]) ÷ [Number of floors in building] ÷ 31.5 X [Number of years of ownership] X [Number of floors of commercial usage]: ($80,000 – $20,000) ÷ 2 total floors ÷ 31.5 X 5 years X 1 commercial floor = $4,762

Depreciation for rental residential floors within a building = ([Purchase Price] – [Land Value]) ÷ [Number of floors in building] ÷ 27.5 X [Number of years of ownership] X [Number of floors of rental residential usage]: ($80,000 – $20,000) ÷ 2 total floors ÷ 27.5 X 5 years X 1 residential floor = $5,455

Add the two depreciation amounts to get the building's total depreciation = **$10,217**

Adjusted Basis (roughly):
$80,000 [Purchase Price] – $20,000 [Land Value] – $10,217 [Total Depreciation] + $5,000 [Previous Capital Improvements] = **$54,783**

Minimum Expenditure:
Since $54,783 is greater than $5,000, the minimum expenditure is **$54,783**
Must spend Adjusted Basis on rehabilitation within 24 months, or can take up to five years with a phased rehabilitation plan

Project Cost:
$75,000 [Construction] + $5,250 [Professional Fees] + $500 [application fee for the tax credit program] **= $80,750**

Tax Credit:
$80,750 [Project Cost] x 20% [Credit percentage] = **$16,150**
Unused credit may be carried forward 15 years

Project Cost after Tax Credit:
$80,750 [Project Cost] – $16,150 [Tax Credit] = **$64,600**

EXAMPLE OF 50% DISABLED ACCESS TAX CREDIT

Owner: Small business with annual gross receipts of $750,000 and 5 employees.

Building: Built in 1915, one-story, not listed on National Register, ground floor commercial.

Project: Replace existing non-accessible restrooms to meet current ADA standards.

Minimum Expenditure: **$250**
[$10,250 maximum], per year

Project Cost: **$8,000**

Tax Credit:
50% X ($8,000 [Project Cost] – $250 [Minimum Expenditure]) = **$3,875**

Project Cost after Tax Credit:
$8,000 [Project Cost] – $3,875 [Tax Credit] = **$4,125**

This brief summary was compiled by the Illinois Historic Preservation Agency and is accurate to the best of our knowledge. However, for further information and complete, up-to-date and exact details, and to be certain all information is correct, please contact the sponsoring agency for each funding sources. We apologize for any inaccuracies or omissions. In all cases we recommended working with a knowledgeable tax accountant or attorney regarding the financial aspects these programs.