The Massachusetts Historic Rehabilitation Tax Credit Program
A Brief Description

The Massachusetts Historic Rehabilitation Tax Credit Program is administered by the Massachusetts Historical Commission, under Secretary of the Commonwealth William F. Galvin, Chairman of the Massachusetts Historical Commission.

The program is a pilot program with $50 million dollars currently available annually for certified rehabilitation projects. The program will expire on December 31, 2017.

Under the program, a certified rehabilitation project on an income-producing property is eligible to receive up to 20% of the cost of certified rehabilitation expenditures in state income tax credits. The properties must produce income and be owned, in whole or in part, by a for-profit entity that is subject to Massachusetts state income tax liability (taxpayer). Examples of income-producing properties include: rental properties (residential, commercial, or industrial), apartments, elderly housing/life care facilities, hotels, offices, bed and breakfasts, restaurants, offices, stores, theatres, athletic facilities, etc. Properties that are entirely owner-occupied and do not have an income-producing component, are not eligible to apply.

The building must be listed in, or eligible for listing in the National Register of Historic Places. If the building is not currently listed in the National Register, the MHC must certify that it is a historic building that is eligible for listing in the National Register.

The rehabilitation must be “substantial,” which means that the rehabilitation expenditures within a 24-month period (selected by the taxpayer) must exceed 25% of the taxpayer’s Adjusted Basis in the building.

The rehabilitation must meet the Secretary of Interior’s Standards for Rehabilitation. These standards can be accessed at http://www.cr.nps.gov/hps/tps/tax/rhb/index.htm.

Because the program is capped at $50 million dollars annually, there are selection criteria to ensure that the funds are distributed to the projects that provide the maximum public and preservation benefit. Nine criteria are outlined in the regulations and include factors such as the level of historic significance of the property, the level of public support, and the overall challenge of the preservation issues in the project.

There are three application cycles (rounds) per year. The deadlines for applications are January 15, April 30, and August 31. There are no application fees at this time.

There are three parts to the application process. For a first-time application, it is common to complete the Part 1 and Part 2 forms and send them together at the same time.
The application materials, instructions, and implementing regulations for the program, are available at www.sec.state.ma.us/mhc. MHC staff are available to answer questions about the program.

The state rehabilitation tax credit can be used in tandem with the federal investment tax credit, and the MHC anticipates that most project proponents will seek both federal and state tax credits for their projects. Like the federal credit, the state tax credit assists in filling the gaps in equity that would otherwise make worthy preservation projects infeasible.

A major difference between the state and federal historic tax credits is that the state credit awarded can be up to 20% of the qualified rehabilitation cost, while the federal credit is for 20% of the qualified rehabilitation cost.

The state historic tax credit can be used as a credit on the taxpayer’s state income tax return, or, since it is a certificate, it can be sold. The credit cannot be claimed until the project is completed and put into service.

After a tax credit award is given, the tax entity needs to decide in which tax year it wants to take the tax credit (after the building has been put into service). An application for final certification (Part 3) must be sent to the Massachusetts Historical Commission before December 31 of the tax year in which the credit is to be taken. (Note that April 15 is not the deadline. December 31 is the deadline.) It is recommended that the Part 3 application be submitted to the Massachusetts Historical Commission by at least November 30, to insure timely completion of the process.

The tax credit may be carried forward for five years after the year in which the project was placed into service.

The taxpayer must retain the property for five years beginning on the date on which the project has been completed, or else the credit is subject to recapture.

The regulations are 830 CMR 63.38R.1 in the Department of Revenue. The regulations contain additional information relating to tax filings.

The enabling legislation is M.G.L. Chapter 62 section 6J and Chapter 63 section 38R.

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