

# **HOW TO COMPLETE THE TAX CERTIFICATION APPLICATION FORM**

## **Income Producing**

The information contained in this document applies only to applications for the federal and state income tax credits for the rehabilitation of depreciable (income producing) buildings.

It is important to be as clear as possible when completing the certification application. The State Historic Preservation Office (SHPO) and the National Park Service (NPS) will, at the request of an owner, review any application. To make completion of this process easier, we suggest that you prepare a draft application before starting any work. This can be submitted to the State Historic Preservation Office for review. A site visit or meeting with staff can help answer questions you may have.

## **The Application Process**

The owner or the owner's agent, often an architect, accountant or preservation consultant, completes the appropriate parts of the application form, assembles the required supporting documentation and submits the application to the State Historic Preservation Office. The application is reviewed by the State Historic Preservation Office staff and then forwarded to the National Park Service review staff in Washington, D.C. The National Park Service makes a determination regarding the project based on the application and the recommendations from the state staff and communicates that decision to the owner.

The application should be submitted to the State Historic Preservation Office before work on the project begins. This will allow for discussion and negotiation regarding proposed work items in order to insure that construction adheres to the Secretary of the Interior's Standards for Rehabilitation. Submission of the application after the completion of work is acceptable. However, if some, or all, of the work is determined to be in violation of the Standards, then the application must be rejected. The owner may elect to repair or remove the inappropriate work based upon the comments of the State Historic Preservation Office or the National Park Service. The fact that work is completed and in place will not influence evaluation of the application. There is no partial credit for work completed as part of a project which does not meet the Standards in full. All proposed and completed work is evaluated using the Secretary of the Interior's Standards for Rehabilitation and must meet these Standards to be eligible for the credit.

Applications submitted to the State Historic Preservation Office will be reviewed within 30 days. Following our review, the completed application will be submitted to the National Park Service which has an additional 30 days to review the project.

## **The Application Form**

The application form consists of three parts:

Historic Preservation Certification Application Part 1- Evaluation of Significance,  
Historic Preservation Certification Application Part 2- Description of Rehabilitation,  
Historic Preservation Certification Application Part 3 - Request for Certification of Completed Work.

The first page of each part (1,2 and 3) must have an original signature.

**The application package, including all forms, photos, maps, plans and specifications, must be submitted in duplicate.** One copy is retained by the State Historic Preservation Office and the original is sent to the National Park Service.

The State Historic Preservation Office will review draft applications and provide useful and appropriate comments to improve the final submission. Draft applications need not be complete and need not be submitted in duplicate. We strongly encourage following the directions included with the application form.

### **Historic Preservation Certification Application Part 1- Evaluation of Significance**

The Part 1 application must be completed for all buildings that are listed as contributing buildings in historic districts that are listed on the National Register of Historic Places.

An application for a building that is individually listed on the National Register of Historic Places need not complete Part 1 in most cases since its significance as a certified historic structure has been previously determined. If the property contains more than one building please submit a Part 1 application and discuss how the project will impact all buildings. Photographs of all structures and buildings should accompany the Part 1.

The information required to answer questions 5 & 6 in Part 1 is generally the same information required for a National Register nomination and can be taken from the district nomination. Part 5 describes the current condition and appearance of the building. Part 6 explains the historic importance of the building. Copies of historic photos of the building are very helpful, if these are available. The application should include contemporary interior and exterior photos showing all facades and significant and typical interior spaces and features.

Part 1 applications may be submitted before any work is planned for a particular building. An approved Part 1 establishes a building as a certified historic structure.

### **Historic Preservation Certification Application Part 2- Description of Rehabilitation**

The Part 2 - Description of Rehabilitation application describes the work that is proposed. It is important to decide at this time if the project will be completed in phases. The check off in question #2 determines if the project must be completed in two or five years. If phased, the project has the longer period of completion. If not indicated as a phased project when the original Part 2 application is submitted to the National Park Service, the owner cannot extend the length of the project. Phasing must be decided at the beginning of the project. Each phases must be described as part of the initial application. Phases do not generally correspond to work items. For example, a phased project can be split into two separate phases; the first may include all interior

first floor work and the roof (Items #1, 4-8, 10), with the second phase concentrating on exterior masonry cleaning, repair and facade renovation (Items #2, 3, 9).

Section 5 of the application details each aspect of the proposed rehabilitation project. Each architectural feature can be a definable work item. The application should list all work items that are considered to be capital investment. This includes the roof, foundation, heating system, electrical system, plumbing, windows, door hinges or any other item that the owner wishes to describe. The left box describes the feature as it exists when the project starts. In the companion box, describe the proposed work. Each feature should be illustrated with appropriate "before" photographs. Each photo should be labeled and numbered on the back. These numbers can correspond to the numbered blocks of Part 5. The National Park Service will accept this portion of the application typed on a computer as long as it corresponds to the existing form.

The application package should also include floor plans for all floors of the building. These forms need not be drawn by an architect, they can be sketched free-hand if necessary. They are included in order to provide as much information as possible about the project. If professionally produced plans and specifications are part of the project documentation, they should be submitted as part of the application.

**Plans and photographs should not be mounted or packaged in any manner.** All photographs should be labeled and keyed to a plan indicating the direction of the photograph.

The Part 2 application should describe the proposed work in the simplest, most straight forward terms. The complete package should provide sufficient information about the project so that a competent reviewer will understand the existing conditions and the work being proposed without visiting the property in person. (If work has started, photos and information about these items can be provided at this time.)

Upon review of this project the SHPO will either forward the project on to the National Park Service or request additional information. The National Park Service and State Historic Preservation Office each charge a fee to review this portion of the application. A fee will be charged based on the total cost of the rehabilitation project. You will be billed directly by the State Historic Preservation Office and the National Park Service

### **Historic Preservation Certification Part 3 Application - Request for Certification of Completed Work**

The Part 3 - Request for Certification of Completed Work is the simplest of the three parts of the application. This one page form is submitted to the State Historic Preservation Office when the project is complete. It should be accompanied by "after" photos of the completed project. It is helpful to organize the properly labeled photographs to correspond to the work items originally proposed in the Part 2 - Description of Work. As before, the form and the photos should be submitted in duplicate, being sure to have two signed originals. After review by the State Historic Preservation Office the application will be forwarded to the National Park service for final review. A fee will be charged based on the total cost of the rehabilitation project. You will be billed directly from the National Park Service.

If the owner is doing a phased project the Part 3 - Request for Certification of Completed Work is submitted only at the conclusion of the entire project. The owner should submit a letter of explanation with accompanying photographs to the State Historic Preservation Office at the end of each phase in order to receive approval for that phase. This can be submitted on a continuation sheet. The Part 3 application should include the total costs of the rehabilitation for all phases.

### **Substantial Rehabilitation**

In order to qualify for the credit an owner must undertake substantial rehabilitation, defined as the expenditure of \$5,000 or \$1 more than the adjusted basis in the building, whichever is greater. Adjusted basis is the initial cost of the property minus the value of the land, minus depreciation, plus capital investment up to the time the project starts. An owner has 24 months to meet the substantial rehabilitation test or may take 60 months with a phased project.

### **The Fee**

The National Park Service and the State Historic Preservation Office each charge a fee to review all tax certification applications. The State Historic Preservation Office and the National Park Service will bill the owner at the appropriate point in the review process. **Do not submit a check with your application.** Both the National Park Service and the State Historic Preservation Office accepts credit card payments!

The National Park Service fee is based on a sliding scale determined by the dollar amount of the project. The State Historic Preservation Office fee is .5% of the requested tax credit amount or \$10,000, whichever is less.

### **Miscellany**

All applications must be submitted initially to the State Historic Preservation Office for review and transmittal to the National Park Service (NPS) with the recommendation of the State. If an applicant consults directly with NPS staff, we request copies of significant correspondence.

Allowable expenditures for calculating the credit include all expenditures properly chargeable to a capital account. This does include some soft costs.

An owner may take the credit on all allowable expenditures on a project that are incurred prior to the commencement of the 24 month or 60 month test period or after the conclusion of the test period up to December 31 of the year in which the test period ends. The test period is selected by the owner.

An owner may take a tax credit at the end of each phase for work completed during that phase with the understanding that if work violating the Standards occurs in later phases the credits already taken will be recaptured.

An owner who takes the credit must hold on to the property for 5 years or the credit is subject to recapture.

The credit is available to holders of long term leases if the length of the lease exceed the depreciable life of the improvements.

An owner utilizing the credit must deduct the credit from the depreciable basis in the building and must depreciate the building on a straightline basis.

An owner may complete an approved rehabilitation project and prior to taking the credit and prior to placing the building in service may sell the building to a new owner and the credit may be transferred to the new owner.

The state income tax credit may be carried forward up to 10 years.

West Virginia offers a state credit for qualified rehabilitated buildings. The credit is equal to 25% of qualified rehabilitation expenditures as defined in §47(c)(2), Title 26 of the United States Code, as amended. The credit is available for projects reviewed by the SHPO and designated by the National Park Service as “certified historic structures,” and further defined as a “qualified rehabilitated building” as defined in §47(c)(2), Title 26 of the United States Code, as amended.

The credit may be claimed on West Virginia State Tax Schedule RBIC available on line at: <http://www.state.wv.us/taxrev/cred.html>

Unused portions of the state credit qualify for carryforward treatment provided that the amount of credit taken in a taxable year is not in excess of the tax liability due for the taxable year. See §11-21-8(e)(b) of the West Virginia State Code for information regarding alternative distribution methods for S corporations, limited partnerships, general partnerships, limited liability companies or multiple owners of property.

Any person who completes the review process and has a “qualified rehabilitated building” as defined by the NPS may transfer, see or assign any unused West Virginia Rehabilitation tax credits. To do so you must request a certificate of approval for the transfer from the SHPO. See §11-21-8(h) of the West Virginia State Code for more information.

The Status of an application at the NPS can be checked at the Technical Preservation Services website: <http://www2.cr.nps.gov/tps/tax/index.htm>

The program receives Federal funds from the National Park Service. Regulations of the U. S. Department of Interior strictly prohibit unlawful discrimination in departmental Federally Assisted Programs on the basis of race, color, national origin, age or handicap. Any person who believes he or she has been discriminated against in any program, activity or facility operated by a recipient of federal Assistance should write to: Director, Equal Opportunity Program, U. S. Department of the Interior, National Park Service, P. O. 37127, Washington, D. C. 20013-7127