

# Tax Credit Basics ([www.kshs.org/p/tax-credit-basics/14673](http://www.kshs.org/p/tax-credit-basics/14673))

## Introduction

Tax credits provide a key tool for the rehabilitation of historic properties -- both income-producing and non income-producing. The [federal](#) program provides an income-tax credit equal to 20% of qualified rehabilitation expenditures on income-producing properties. The [state](#) program provides a tax credit equal to 25% of qualified expenditures on income-producing or non income-producing properties. Projects must meet the Secretary of the Interior's Standards for Rehabilitation.

## Step-by-Step Guide

### 1. Contact the SHPO

Please contact the State Historic Preservation Office, also called the Cultural Resources Division of the Kansas State Historical Society, as soon as possible. Staff will be able to tell you if your project will qualify for tax credits, supply applications, and provide technical assistance. Please call the Cultural Resources Division at 785-272-8681 ext. 240 or e-mail [cultural\\_resources@kshs.org](mailto:cultural_resources@kshs.org)

### 2. Determine which program fits your project

Is your property already listed on the [National Register of Historic Places](#) or the [Register of Historic Kansas Places](#)?

If yes, then you are eligible to apply for state tax credits. Read on to find out if you qualify for federal tax credits as well.

Will your building be income-producing when the project is finished?

The [Federal Tax Credit](#) programs require that a building be income-producing, such as rental residence, hotel, office space, industrial or agricultural uses.

Will your project expenses exceed the adjusted basis of the building?

See the requirements of the IRS for the federal tax credits at the [IRS Connection](#). Projects are required to meet this "substantial rehabilitation" requirement to qualify for Federal Tax Credits.

Will your project expenses exceed \$5,000?

The [Kansas State Tax Credit](#) requires projects to exceed \$5,000.

Are you willing to follow the [Secretary of the Interior's Standards for Rehabilitation](#) when planning and conducting your project? All work will be reviewed and must meet these Standards to qualify for tax credits.

Have you already started work on your building?

The Federal Tax Credit program allows you to start work before applying, though it is not recommended. The Kansas State Tax Credit requires that you must apply and be approved before starting work.

Did you take good photographs of the building before work began?

Good "before" images are required. Both the SHPO and the NPS prefer actual photographs to digital images.

### **3. Contact your financial advisor**

Please contact the Internal Revenue Service or the Kansas Department of Revenue with any questions related to taxation. Consult a tax professional before applying for, claiming, or selling state or federal rehabilitation tax credits. Certain laws may limit your ability to claim the credits and other tax implications may apply. Beginning January 1, 2007 taxpayers wishing to claim insurance proceeds used in a certified rehabilitation as qualifying expenses for purposes of the tax credits, must claim those insurance proceeds as income on their income tax returns. If a taxpayer does not report the insurance proceeds as income, any expenditures made to the qualified historic structure with the insurance proceeds will not be used to compute the state or federal historic rehabilitation tax credit.