

FEDERAL INVESTMENT TAX CREDIT OVERVIEW

A Federal income tax credit may be granted to commercial properties that are listed on the National Register of Historic Places, and on which “substantial rehabilitation” is performed. Pre-certification (phase 1) and completion (phase 2), review and approval by the California Office of Historic Preservation and the National Park Service, is required. Rehabilitation must comply with Federal standards for preservation of historic properties. The tax credit can be amortized. There are two distinct tax credit programs:

20% Tax Credit

- **What it does:** Dollar-for-dollar Federal income tax credit equal to 20% of the construction costs for rehabilitating an income-producing building; the credit may be used by the building owner or “sold” to a tax credit investor.
- **Minimum investment:** 100% of the building’s “adjusted basis”; that is, the purchase price minus the land cost and depreciation, plus prior improvements. For non-contributing properties in a National Register Historic District constructed prior to 1936, a 10% Federal rehabilitation tax credit is also available.

10% Tax Credit

- **What it does:** Dollar-for-dollar Federal income tax credit equal to 10% of the construction costs for rehabilitation of an income-producing, non-residential building constructed prior to 1936 (contributing properties listed on the National Register of Historic Places are ineligible).
- **Minimum Investment:** 100% of the building’s “adjusted basis” – that is, the purchase price minus the land cost and depreciation, plus prior improvements.

Please visit the [Federal Historic Preservation Tax Incentives](#) webpage to learn more.