INFORMATION BULLETIN #87A
INCOME TAX
JULY 2014
(Replaces Bulletin #87A dated January 2003)
Effective Date: Jan. 1, 2015

SUBJECT: Residential Historic Rehabilitation Credit

REFERENCE: IC 6-3.1-22

SUMMARY OF CHANGES

SEA 367-2014 transfers the administration of the tax credit from the Division of Historic Preservation and Archaeology of the Department of Natural Resources to the Office of Community and Rural Affairs.

INTRODUCTION

An adjusted gross income tax credit is available for the rehabilitation of historic residential property.

I. QUALIFIED TAXPAYERS

A qualified taxpayer is an individual filing a single return or a married couple filing a joint return. If the spouses file a separate return, they may take the credit in equal shares or one spouse may take the whole credit.

II. QUALIFIED EXPENDITURES

"Qualified expenditures" means expenditures for the preservation or rehabilitation of a structure that enables the structure to be principally used and occupied by the taxpayer as the taxpayer's residence. The term does not include costs that are incurred to do the following:

1. Acquire a property or an interest in a property
2. Pay taxes due on a property
3. Enlarge an existing structure
4. Pay realtor's fees associated with a structure or property
5. Pay paving and landscaping costs
6. Pay sales and marketing costs

III. QUALIFICATION FOR THE TAX CREDIT

A taxpayer qualifies for the credit if all the following conditions are met.

1. The historic property is located in Indiana, is at least 50 years old, and is owned by the taxpayer.
2. The Office of Community and Rural Affairs (OCRA) with the assistance of the Division of Historic Preservation and Archeology of the Department of Natural Resources certifies that the historic property is listed in the register of Indiana historic sites and historic structures.
3. OCRA certifies that the taxpayer submitted a proposed preservation or rehabilitation plan to OCRA that complies with the standards of the OCRA.
4. OCRA certifies that the preservation or rehabilitation work that is subject to the credit substantially complies with the proposed plan.
5. The preservation or rehabilitation work is completed in not more than 2 years, or if the preservation or rehabilitation plan is being completed in phases, within 5 years.
6. The historic property is principally used and occupied by the taxpayer as the taxpayer's residence.

IV. LIMITATION OF THE TAX CREDIT

The qualified expenditures for preservation or rehabilitation of the historic property must exceed $10,000. The tax credit is equal to 20% of the qualified expenditures that the taxpayer makes for the preservation or rehabilitation of the historic property. The total amount of all credits for all taxpayers may not exceed $250,000 in a state fiscal year (July 1 through June 30).

V. PROCEDURE TO CLAIM THE CREDIT

The taxpayer shall claim the credit on the taxpayer's annual state income tax return. The taxpayer shall submit to the department the certifications approved by OCRA.

If the credit exceeds the taxpayer's state income tax liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years and used as a credit during those taxable years. The credit may be carried forward and applied to succeeding taxable years for 15 years following the unused credit year. A taxpayer is not entitled to a refund or carryback of any unused credit.

VI. RECAPTURE OF CREDIT CLAIMED

The Residential Historic Building Tax Credit shall be recaptured from the taxpayer if the property is transferred within 5 years of the completion of the certified preservation or rehabilitation work. The credit will also be recaptured if additional modifications to the property are undertaken that do not meet the standards of OCRA within 5 years of completion of the certified preservation or rehabilitation work.

If the recapture of a credit is required, an amount equal to the credit recaptured shall be added to the tax liability of the taxpayer for the taxable year during which the credit is recaptured.

Michael J. Alley
Commissioner