



Department of Economic and
Community Development

State Historic Preservation Office

State Historic Preservation Office

CT Historic Rehabilitation
Tax Credit Program
Guidelines

June 2021

Program Overview

The CT Historic Rehabilitation Tax Credit Program (C.G.S. §10-416c) establishes a 25% tax credit on the Qualified Rehabilitation Expenditures associated with the rehabilitation of a Certified Historic Structure for either 1) residential use of five units or more, 2) mixed residential and nonresidential use or 3) nonresidential use consistent with the historic character of such property or the district in which such property is located.

An additional credit is available for projects that include affordable housing as provided in section 8-39a of the Connecticut General Statutes or for projects located in a designated [Opportunity Zone](#). Other program highlights include:

- 25% tax credit of the total qualified rehabilitation expenditures
- 30% tax credit of the total qualified rehabilitation expenditures if the project includes an affordable housing component provided at least 20% of the rental units or 10% of for sale units qualify under [CGS Section 8-39a](#), or is located in a designated [Opportunity Zone](#)
- \$31.7 million in tax credit reservations are available each fiscal year
- per project cap is \$4.5 million in tax credits
- Qualified Rehabilitation Expenditures are hard costs associated with the rehabilitation of the certified historic structure; site improvements and non-construction costs are excluded
- buildings must be listed on the National or State Register of Historic Places, either individually or as part of an historic district
- all work must comply with the [Secretary of the Interior's Standards for Rehabilitation](#)
- state tax credits may be combined with the [20% National Park Service's historic preservation tax credit program](#) provided the project qualifies under federal law as a substantial rehabilitation of depreciable property as defined by the Internal Revenue Service
- tax credit vouchers are issued after completion of rehabilitation work or, in phased projects, completion of rehabilitation work to an identifiable portion of the building placed in service (see Appendix A for instructions on phased projects)
- tax credits are available for the tax year in which the building or, in phased projects, an identifiable portion of the building is placed in service
- tax credits can only be used by C corporations with tax liability under Chapters 207 through 212 of the Connecticut General Statutes
- tax credits can be assigned, transferred, or conveyed in whole or in part by the owner to others up to three times

Eligible Applicants

- (1) The owner of a property as defined in [C.G.S. §10-416c](#) or, in cases of multiple owners, a duly authorized joint owner, partner or member may submit an application on behalf of the owners.
- (2) A person or business entity that is not the owner of a property listed on the National or State Register of Historic Places shall be eligible to apply provided such person or business entity submits evidence that the owner has been informed of the application and has no objection to the filing. ***Note, only the owner possessing title to the property will be eligible for a reservation of tax credits.***

Eligible Costs

Not every expense associated with a rehabilitation project contributes toward the calculation of the tax credit. Eligible costs, or Qualified Rehabilitation Expenditures (QREs), include only the hard costs related to the repair or improvement of structural and architectural features to the Certified Historic Structure.

These costs may include:

- Walls
- Partitions
- Floors
- Ceilings
- Permanent coverings, such as paneling or tiles
- Windows and doors
- Components of central air conditioning or heating systems
- Plumbing and plumbing fixtures
- Electrical wiring and lighting fixtures
- Chimneys
- Stairs
- Escalators, elevators, sprinkler systems, fire escapes
- Other components related to the operation or maintenance of the building
- Renewable energy systems*

* Solar panels, wind turbines, and geothermal systems that are essential to the operation or maintenance of the rehabilitated historic building should qualify for this tax credit. However, systems that produce electricity to back feed the power grid may not qualify.

Please note that by statute, an applicant must submit the rehabilitation plan (Part 2 application-Request for Approval of Proposed Rehabilitation Plan) prior to undertaking any work. Failure to submit the proposed rehabilitation plan prior to the start of construction may render the rehabilitation project ineligible for the tax credit program.

Ineligible expenditures include:

- Acquisition costs
- Appliances
- Carpeting (if tacked in place and not glued)
- Decks (not part of the original building)
- Demolition costs (removal of a building on property site)
- Fencing, landscaping, parking lots, sidewalks, retaining walls
- New construction
- Window treatments

Secretary of the Interior's Standards for Rehabilitation

The entire project as defined in C.G.S. §10-416c must comply with the Secretary of the Interior's Standards for Rehabilitation (the Standards). The Standards are a series of concepts about maintaining, repairing and replacing historic materials, as well as designing new additions or making alterations. There concepts include:

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work will be

differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.

10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

The SHPO strongly encourages applicants unfamiliar with the Standards to contact the tax credit administrator early in the design process. This early communication can ease the review process.

***NEW* Data Collection**

In an effort to better understand the impact on our programs on Black people, Indigenous people, and People of Color, the SHPO has incorporated into the application process several new forms to collect data not previously tracked in the Historic Rehabilitation Tax Credit Program. ***Completing the forms is optional.*** By statute, the information provided cannot be used to evaluate the proposed rehabilitation, but it may inform future programming that helps support equity in housing and economic development in Connecticut.

Application Information

Applications are accepted on a rolling basis. **All applications and application materials must be submitted via the secure State FTP system. Please see instructions for electronic submissions on the program's webpage.** Applications missing any required material or attachments will be considered incomplete and will not be reviewed. The SHPO reserves the right to request additional information if necessary.

There is a five step application process.

- Part 1, "Determination of Historic Structure Status," Form ITC 300
- Part 2, "Request for Approval of Proposed Rehabilitation Plan," Form ITC 300a
- Part 3, "Request for Preliminary Certification and Reservation of Tax Credits," Form ITC 300b
- Part 4, "Request for Final Certification of Completed Rehabilitation," Form ITC 300c
- Part 5, "Request for Issuance of Tax Credit Voucher," Form 300d
- "Application Amendment Form", Form ITC 300e (if applicable)

The department shall review and issue a decision not more than thirty calendar days after receipt of a complete application. If an application is incomplete, not more than thirty calendar days after receipt the department shall notify the owner in writing and indicate what information is needed to undertake or complete review.

In cases where the owner has submitted Part 1 or Part 2 applications of the Historic Preservation Certification Application used by the National Park Service, and any additional application materials

required by the department, if, pursuant to 16 USC 470 a recommendation is made to the National Park Service for approval, such recommendation shall be considered certification and approval by the SHPO.

Phased Projects

For purposes of the Historic Rehabilitation Tax Credit Program, a phased project is one in which the proposed rehabilitation work to a certified historic structure is completed in two or more stages of development. Work to a single building or multiple-building projects can be part of an overall phased project. Both types of phased projects need to be described on the state Part 2 application, Request for Approval of Proposed Rehabilitation Plan, Form ITC 300a. The cost breakdown for each phase should not be indicated on Attachment 3A (Schedule of Values) of the state Part 3 application, Request for Preliminary Certification and Reservation of Tax Credits, Form ITC 300b. Only one reservation is issued for the certified historic structure (a single building or multi-building project) in its entirety.

In phased projects, a tax credit voucher can be issued on a prorated basis for the identifiable portion of the certified historic structure placed in service, provided the expenditures incurred constitute a substantial rehabilitation. For additional information on Phased Projects see Appendix A for Instructions for Phased Projects.

Affordable Housing Certificate

Applicants interested in seeking the additional 5% in tax credits for projects with an affordable housing component should contact the Department of Housing at (860) 270-8262. A copy of the approved affordable housing certificate is required at the time the Part 3 application is submitted. ***Please allow several weeks for this paperwork to be completed.***

Reservation of Tax Credits

Please note that possession of title to the property is a requirement to receive a tax credit reservation.

All tax credit reservations expire 60 months after the date of issuance. The Part 4 Application-Request for Final Certification of Completed Rehabilitation must be filed prior to the date of expiration. There is no allowance in the program to extend the certificate's expiration date.

By statute, priority will be given to projects located in a designated Opportunity Zone. For practical purposes, the SHPO will set aside \$12 million in its annual tax credit allocation for these projects. If the \$12 million is not fully allocated by the fourth quarter of the fiscal year, the remaining portion will be redistributed among eligible projects.

Evidence of assessed value of the certified historic structure as indicated in legal records must be obtained not more than sixty calendar days before submission of a request for preliminary certification and reservation of tax credits.

Reminder, there is no allowance for increasing the amount of the tax credit reservation once it is made. Further, any increase in incurred costs as a result in amendments to the approved project scope will not alter the amount of the tax credit reservation. At the end of the project, the tax credit voucher will be either the amount of the tax credit reservation or 25% (or 30%) of the final QREs, *whichever is less*.

Issuance of Tax Credit Voucher

In order to obtain a tax credit voucher, the rehabilitation must first be certified as complete in accordance with the approved Part 2 application and any subsequent approved amendments. Any owner entitled to the credit may sell, assign, or otherwise transfer the credit, in whole or in part, to one or more persons. The credit may be sold, assigned or otherwise transferred, in whole or in part, not more than three times.

The owner or any subsequent transferee shall jointly submit written notification of such transfer to the SHPO not later than thirty (30) days after such transfer. The notification after each transfer shall include:

- 1) the credit voucher number,
- 2) the date of the transfer,
- 3) the amount of such credit transferred,
- 4) the tax credit balance before and after the transfer,
- 5) the tax identification numbers for both the transferor and the transferee, and
- 6) any other information required by the department.

Failure to comply shall result in the disallowance of the tax credit until there is full compliance on the part of the transferor and the transferee, and for the second and third transfer on the part of the all subsequent transferors and transferees.

Fee Schedule

By statute, the SHPO may charge an application fee in an amount not to exceed ten thousand dollars (\$10,000.00) to cover the cost of administering the program.

The following fee schedule will apply to all projects:

1. For-profit developers with a rehabilitation project yielding total Qualified Rehabilitation Expenditures (QREs) over \$1,000,000.00 will be charged one tenth of one percent of the total QREs up to \$5,000.00;
2. Non-profit groups and municipalities with a rehabilitation project yielding QREs over \$1,000,000.00 will be charged one tenth of one percent of the total QREs up to \$2,500.00; and



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3. Any applicant with a rehabilitation project yielding total QREs of \$1,000,000.00 or less will not be charged an application fee.

Based on the Preliminary Schedule of Values submitted with the Part 3 - Request for Preliminary Certification and Reservation of Tax Credits application an initial \$1,000.00 fee may be charged for the review of the Part 3 application. Final fee payment, if applicable, is due with submission of the Part 5 – Request for Issuance of Tax Credit Voucher.



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Appendix A

Instructions for Phased Projects

SPECIAL INSTRUCTIONS FOR PHASED PROJECTS

HISTORIC REHABILITATION TAX CREDIT PROGRAM

Definitions

For purposes of the above-named state historic tax credit program, a phased project is one in which the proposed rehabilitation work to a certified historic structure is completed in two or more stages of development. Work to a single building or multiple-building projects can be part of an overall phased project. Both types of phased projects need to be described on the state Part 2 application, Request for Approval of Proposed Rehabilitation Plan, Form ITC 300a. The cost breakdown for each phase need not be indicated on Attachment 3A (Schedule of Values) of the state Part 3 application, Request for Preliminary Certification and Reservation of Tax Credits, Form ITC 300c. Only one reservation is issued for the certified historic structure (a single building or multi-building project) in its entirety.

In phased projects, a tax credit voucher can be issued on a prorated basis for the identifiable portion of the certified historic structure placed in service, provided the expenditures incurred constitute a substantial rehabilitation. Below are some key words and definitions:

A. The definition of “identifiable portion of the building” is “an entire floor, a section of a building separated from another section by an historic firewall, or, in buildings with several periods of construction, a section that represents a distinct period of construction.”

B. “Substantial rehabilitation” means the “qualified rehabilitation expenditures of a certified historic structure that exceed 25% of the assessed value of such structure.” That value is stated in the state Part 3 application, Request for Preliminary Certification and reservation of Tax Credits, Form ITC 300-c. When a project is phased, the value against which the test is made is determined on the basis of the costs associated with “qualified rehabilitation expenditures” for the square footage of the identifiable portion of the building placed in service.

C. “Placed in service” means completion of substantial rehabilitation work that would allow for occupancy of the entire building or an identifiable portion of the building.

Overview

A state Part 4 application, Request for Approval of Completed Rehabilitation Work, Form ITC 300d must be filed for each phase. As is the rule for all projects regardless of whether the project is phased or not, costs paid for after the date of receipt of the Part 4 application by the State Historic Preservation Office (SHPO) are not considered eligible. In order to request issuance of a tax credit voucher for each phase of a phased project, the owner must file a state Part 5 application, Request for Issuance of Tax Credit

Voucher, Form ITC 300e and special Attachment 5A-c, which is for phased projects only. The amount of the tax credit is based on the costs associated with the square footage that is placed in service, regardless of whether the certified historic structure is mixed residential/nonresidential or solely nonresidential. Depending on the eligible costs in each phase, the square footage costs will vary. For each phase, the owner is required to submit with the state Part 5 application a Certification of Costs which has been prepared by an independent certified public accountant. An application fee based on a percentage of the total qualified rehabilitation expenditures may be charged by the SHPO for each application.

In the first phase, the total eligible costs of this phase are divided by the square footage of the entire certified historic structure (as previously indicated on the state part 3 application) to obtain a square footage cost. Square footage cost is then multiplied by the square footage of the identifiable portion of the building placed in service. This figure constitutes the qualified rehabilitation expenditures (QREs). The amount of the tax credit is then 25% (or 30% if qualified as affordable housing project) of the QREs. This method is to be used for subsequent phases except the last phase.

There is then a carryover (a "credit") of eligible expenditures which are factored into the final determination of the remaining tax credits in the last phase of the project. For projects under the Historic Rehabilitation Tax Credit program, the carryover is determined by subtracting the QREs from the total eligible costs for the phase.

In the last phase of projects under the Historic Rehabilitation Tax Credit program, the sum of all carryover costs is added to the total eligible costs of the last phase to constitute QREs. The amount of the tax credit is then 25% (or 30% if qualified as affordable housing project) of the QREs.

The QREs are then the sum of all carryover costs plus the remaining eligible costs. The amount of the tax credit is then 25% (or 30% if qualified as affordable housing project) of the QREs.

In no case can the total amount of tax credits issued for all phases for any project exceed the amount of tax credits reserved.



Instructions and Sample Calculations

Complete Lines 1- 57 of Attachment 5A-c for all phases. For the first or subsequent phases except the last, fill out the information required under Part A: Lines 58-63. For the last phase, complete Lines 64-66.

Sample calculation

Project: 5-story building; 100,000 square feet; 20,000 square feet per floor; 80,000 square feet residential; 20,000 square feet nonresidential; 2-phase project. Reservation amount = \$5,000,000.00

Phase 1

Eligible costs: \$10,000,000

Bldg square footage: 100,000

Square footage costs: \$100

Square footage placed in service: 60,000

QREs: \$ 6,000,000

Amount of tax credit @25% of QREs: \$1,500,000

Carryover \$10,000,000 - \$1,500,000 = \$8,500,000

Tax Credit issued to date: \$1,500,000

Phase 2

Eligible costs: \$7,000,000

Bldg square footage: 100,000

Square footage costs: \$70

Square footage placed in service: 40,000

Carryover from phase 1 \$8,500,000

QRE's eligible costs plus carryover: \$7,000,000 + \$8,500,000 = \$15,500,000

Amount of tax credit @25% of QREs: \$3,875,000

Maximum tax credit allowable under the program is \$4,500,000. Hence the last tax credit voucher is not \$3,875,000, but \$3,500,000.



ATTACHMENT 5A-c: SCHEDULE OF VALUES (COSTS INCURRED) - PHASED PROJECTS

HISTORIC REHABILITATION TAX CREDIT

Phase _____ of _____ phases

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|------|-----|---|------------|-----------------------|---|------------------|
| LINE | DIV | DIV/TRADE ITEM | INELIGIBLE | ELIGIBLE ¹ | Costs Incurred Prior to Part 2 Approval | TOTAL EXPENSE |
| 1 | 2 | SITE TESTING/HAZARDOUS MATERIALS | | | | |
| 2 | 2 | ENVIRONMENTAL REMEDATION: SITE | | | | |
| 3 | 2 | ENVIRONMENTAL REMEDATION: | | | | |
| 4 | 2 | SITE GRADING & EXCAVATION ³ | | | | |
| 5 | 2 | OTHER SITE WORK ⁴ specify _____ | _____ | | _____ | |
| 6 | 2 | LANDSCAPING ⁵ | | | | |
| 7 | 2 | SURFACE PARKING, ROADS AND WALKWAYS | | | | |
| 8 | 2 | GARAGES/ STRUCTURED PARKING FACILITY | | | | |

¹ Unless the project qualifies under the transition rule (projects under construction prior to July 1, 2006, but not placed in service as of that date), any costs for which payment has been made prior to the date of approval of the state Part 2 application, Request for Approval of Proposed Rehabilitation Plan, Form ITC 100-a, are not considered eligible.

² Includes abatement of hazardous materials, termite control, or mold

³ Eligible work only if in conjunction with approved addition for building or life-safety code

⁴ Includes hydrology systems and retaining walls

⁵ Includes lawns, plantings, and fencing



| | | | | | | |
|----|---|--|--|--|--|--|
| 9 | 2 | DEMOLITION: SEPARATE BUILDINGS AND/OR STRUCTURES | | | | |
| 10 | 2 | DEMOLITION: GENERAL ⁶ | | | | |
| 11 | 2 | DEMOLITION: SELECTIVE ⁷ | | | | |
| 12 | 2 | SITE UTILITIES | | | | |
| 13 | 3 | NEW CONCRETE ⁸ | | | | |
| 14 | 3 | CONCRETE REPAIRS | | | | |
| 15 | 4 | MASONRY NEW, REPAIR and REPOINTING | | | | |
| 16 | 4 | CONCRETE/MASONRY CLEANING: | | | | |
| 17 | 5 | METALS | | | | |
| 18 | 6 | ROUGH CARPENTRY | | | | |
| 19 | 6 | FINISH CARPENTRY | | | | |
| 20 | 7 | MOISTURE PROTECTION | | | | |
| 21 | 7 | INSULATION | | | | |
| 22 | 7 | ROOFING | | | | |
| 23 | 7 | SHEET METAL | | | | |
| 24 | 7 | SIDING (INCLUDES REMOVAL OF NON-HISTORIC, REPAIR, REPLACEMENT) | | | | |
| 25 | 8 | DOORS AND HARDWARE | | | | |
| 26 | 8 | WINDOWS AND GLAZING | | | | |
| 27 | 9 | ACOUSTICAL TILE | | | | |
| 28 | 9 | DRYWALL | | | | |
| 29 | 9 | CERAMIC TILE | | | | |

⁶ Includes all work to a certified historic structure required to remove deteriorated materials

⁷ Includes only costs associated with approved removal of sections of the building owing to documented structural failure or for the purpose of new construction to recreate documented historic appearance

⁸ Line items Nos. 13 through 17 refer only to work to the certified historic structure



| | | | | | | |
|----|----|--|--|-------|-------|--|
| 30 | 9 | WOOD FLOORING | | | | |
| 31 | 9 | RESILIENT FLOORING | | | | |
| 32 | 9 | CARPETING | | | | |
| 33 | 9 | PAINTING (INTERIOR AND EXTERIOR) | | | | |
| 34 | 10 | SPECIALTIES | | | | |
| 35 | 11 | CABINETS & VANITIES | | | | |
| 36 | 11 | APPLIANCES | | | | |
| 37 | 12 | BLINDS, SHADES, AND ARTWORK | | | | |
| 38 | 13 | SPECIAL CONSTRUCTION: SEPARATE NEW BUILDINGS | | | | |
| 39 | 13 | ADDITION: NON-CODE REQUIRED | | | | |
| 40 | 13 | ADDITION: CODE REQUIRED | | | | |
| 41 | 13 | ADDITION: HANDICAPPED ACCESS | | | | |
| 42 | 13 | NEW CONSTRUCTION: RECONSTRUCTION | | | | |
| 43 | 15 | ELEVATORS | | | | |
| 44 | 15 | PLUMBING | | | | |
| 45 | 15 | HVAC | | | | |
| 46 | 15 | FIRE SUPPRESSION | | | | |
| 47 | 16 | ELECTRICAL (BUILDING ONLY) | | | | |
| 48 | | RENTAL EQUIPMENT, specify: ⁹ _____ | | _____ | _____ | |
| 49 | | GREEN ROOFS | | | | |
| 50 | | TOTAL STRUCTURE AND LAND IMPROVEMENTS | | | | |

⁹ Includes dumpsters, scaffolding etc.



| | | | | | |
|----|--|--|--|--|--|
| 51 | PERMITS AND FEES | | | | |
| 52 | CONTRACTOR BOND PREMIUM | | | | |
| 53 | TOTAL CONSTRUCTION COSTS Sum of LINES 50-52 | | | | |
| 54 | TOTAL INELIGIBLE COSTS: Column 4 | | | | |
| 55 | TOTAL ELIGIBLE COSTS: Column 5 | | | | |
| 56 | GENERAL REQUIREMENTS AND BUILDER'S OVERHEAD AND PROFIT: Not to exceed 15% of LINE 55 ¹⁰ | | | | |
| 57 | TOTAL ELIGIBLE COSTS Sum of LINES 55 and 56 | | | | |

| HISTORIC REHABILITATION TAX CREDIT PROGRAM | | | | | |
|---|--|--|--|--|--|
| 58 | BUILDING SQUARE FOOTAGE ¹¹ | | | | |
| 59 | PER SQUARE FOOT REHABILITATION COSTS: LINE 57 divided by LINE 58 | | | | |
| 60 | SQUARE FOOTAGE PLACED IN SERVICE | | | | |
| 61 | TOTAL QUALIFIED REHABILITATION EXPENDITURES: LINE 59 multiplied by LINE 60 | | | | |
| 62 | PRO-RATED VOUCHER AMOUNT: 25% OF LINE 61 | | | | |
| 63 | CARRY-FORWARD: LINE 57 minus the sum of LINE 62 | | | | |
| LAST PHASE ONLY | | | | | |
| 64 | CARRY-FORWARD FROM EACH PHASE – LINE 63 | | | | |

¹⁰ Line 56 must represent actual payments not an automatic add on to eligible expenditures.

¹¹ The square footage is the square footage at the time of acquisition irrespective of any subsequently approved demolition plus the square footage of any allowable enlargement of the building envelope to meet code requirements or to recreate a documented historic appearance.



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| | | | |
|----|---|--|--|
| 65 | TOTAL ELIGIBLE COSTS - LINE 57 | | |
| 66 | TOTAL QUALIFIED REHABILITATION EXPENDITURES: sum of LINE 64 and LINE 65 | | |