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STATE OF MICHIGAN
MICHIGAN STRATEGIC FUND
STATE HISTORIC PRESERVATION OFFICE

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State Historic Tax Credit Program PA 343 of 2020

Frequently Asked Questions

February 26, 2021

What is the State Historic Tax Credit program?

The new State Historic Tax Credit program will help support place-based projects while promoting the preservation of Michigan's historic resources. Eligible properties must be listed in the National Register of Historic Places, the State Register of Historic Sites, or be in a local historic district, and either be individually listed or contribute to a listed district. The credit has a \$5 million cap per calendar year.

How does this State Historic Tax Credit program compare to the previous historic tax credit program that Michigan offered until 2012?

This is entirely new legislation which created an entirely new program. Previous instructions, application forms, fee structures, rules, guidance, etc. do not apply to this program.

When will I be able to apply for the credits?

In accordance with the legislation, the State Historic Preservation Office (SHPO) needs to promulgate rules governing the operation of the program, develop application materials, and seek public input. The State rulemaking process as outlined in Administrative Procedures Act (PA 306 of 1969) will take between 12 and 18 months to complete. Please visit the SHPO website for the most current program information and process updates.

PA 306 of 1969: [http://www.legislature.mi.gov/\(S\(52aadvxwpcirkdecbv4vtxod\)\)/documents/mcl/pdf/mcl-act-306-of-1969.pdf](http://www.legislature.mi.gov/(S(52aadvxwpcirkdecbv4vtxod))/documents/mcl/pdf/mcl-act-306-of-1969.pdf)

SHPO tax credit webpage: www.michigan.gov/hpcredit

What credits are available?

The credits are available as either Michigan Personal Income Tax Credits (Sec. 266a), Michigan Business Income Tax Credits (Sec. 676) or a combination thereof. In no case shall the total combined credits exceed 25% of the total qualified rehabilitation expenditures.

PA 343 of 2020: <http://www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf>

Will there be a review fee associated with the State credit application process?

There will be a review fee associated with each part of the State application. The fee structure will be established as a part of the rulemaking process. As soon as the fee schedule is available it will be posted to the SHPO website.



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Will there be a State Tax Historic Tax Credit application form?

There will be a new State tax credit application form that will need to be completed for each project. The Application will be modeled after the Federal form and include three parts:

- Part 1 – Verification of Eligibility will be used to verify that the property is eligible to participate in the program.
- Part 2 – Description of Rehabilitation will be used to document all proposed work and to determine if the work appears to conform with the guidance contained in the *Secretary of the Interior's Standards for Rehabilitation*. This form will function as the “preapproval letter” for the project.
- Part 3 – Certification of Completed Work will be used to:
 - Document that the work was completed in accordance with the approved Part 2 application and any associated conditions, and the *Secretary of the Interior's Standards for Rehabilitation*;
 - Collect the relevant information for each qualified taxpayer that will be claiming any portion of the credit and to;
 - Collect cost, tax and other economic data that must be reported to the legislature on an annual basis.

Are projects with an existing approved Federal Part 2 eligible for State credits?

Projects with Federal Part 2 approvals issued before January 1, 2021 are not eligible to participate in the program.

Can I apply for the State credits retroactively?

No. Work that was completed before January 1, 2021 or that is completed in advance of approval of the associated State Part 2 application is not eligible for credits.

How long will the review process take?

The SHPO has 120 days from receipt of a complete application to issue a determination relating to that portion of the application.

Are the State credits available to owner occupied residential properties?

Yes, owner occupied residential properties that meet the definition of historic resources in the Act may apply for the credits.

Who is eligible for the credits?

A *Qualified Taxpayer* with a *Certificate of Completed Work* issued after December 31, 2020 and before January 1, 2031.

Who is a *Qualified Taxpayer*?

A person who owns the property, has a long-term lease on the property or is assigned all or any portion of the credits.

What qualifies as a *Long-term Lease*? A long-term lease is defined in the legislation as being at least 27.5 years for a residential resource and 31.5 years for a nonresidential resource.

What properties qualify for the credits?

Historic Resources individually listed in or, that are located in and contribute to an historic district listed in the National Register of Historic Places, the State Register of Historic Sites, or are within a local historic district designated in accordance with PA 169 of 1970.

PA 169 of 1970: [http://www.legislature.mi.gov/\(S\(52aadvxwpcirkdecbv4vtxod\)\)/documents/mcl/pdf/mcl-act-169-of-1970.pdf](http://www.legislature.mi.gov/(S(52aadvxwpcirkdecbv4vtxod))/documents/mcl/pdf/mcl-act-169-of-1970.pdf)

What Standards will be used to determine if proposed work is acceptable?

All proposed work will be reviewed against the guidance contained in *The Secretary of the Interior's Standards for Rehabilitation* (36CFR61); the associated interpretation and explanation found in the *Preservation Briefs Series*; the *Interpreting the Secretary of the Interior's Standards* as published by the National Park Service; and other State tax credit program guidance that may be published by the SHPO.

Are there limits on the amount of State credit a project may receive?

There is a \$2,000,000 credit limit on any given project impacting a specific historic resource.

How much must I spend to qualify for a credit?

For owner occupied residential historic resources the minimum expenditure is \$1,000 or more. For all other project types, the minimum expenditure threshold is 10% of the State Equalized Value as determined by the local assessor having jurisdiction.

Are the State credits transferable?

Yes, State credits may be transferred as a certificated credit in whole or in part. The SHPO is responsible for certifying the assignment and/or reassignment of credits as a part of the project request for certification of completed work.

When must credit assignments be made?

All credit assignments and/or reassignments must be made in the year in which the Request for Certification of Completed Rehabilitation approval is issued on the form provided by the SHPO. Once assigned, the assignment and/or reassignment is irrevocable.

Can the State and Federal Historic credits be combined?

For income-producing properties, the State and Federal credits may be combined.

What is the relationship between the Federal and State historic tax credit program?

The Federal tax credit application and review process is independent from the State tax credit program. All existing IRS/NPS rules and processes remain in place and unchanged by the State program.

The State credits are semi-dependent on the Federal tax credit review process. For those projects seeking both the Federal and State credits, the project's State applications will be considered incomplete until the SHPO receives the final written determination for the corresponding Federal application from the National Park Service.

Is the amount of the State credits impacted by the Federal credit when combined?

No. When combined, the project may receive both the full 25% State and 20% Federal credits. (Please Note: There may be federal tax consequences associated with combining the credits. You should always discuss your specific tax circumstances with a well-qualified tax professional. The SHPO cannot give tax or legal advice.)

When are the credits claimed?

Credits are claimed after the project receives final certification of the completed work, issued by the SHPO. The taxpayer must begin claiming the credits within 5 years of the date the Part 3 certification is issued.

What happens if the taxpayer does not begin to claim the credit within five years?

The certificate of completed work becomes invalid and the taxpayer is no longer eligible for any credit associated with that rehabilitation plan.

This document reflects the most accurate and complete answers to the various question as of the date above. As the rulemaking process unfolds some answers may be modified and new questions and answers added. Please regularly check the State Tax Credit Program page on the State Historic Preservation Office (SHPO) website for the most up to date program information. The site can be accessed at:

<http://www.michigan.gov/hpcredit>

We strongly recommend that you take the time to review the Public Act as it contains additional information relating to an applicant's responsibilities. The legislation is available at:

<http://www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf>

Questions regarding the program should be emailed to preservation@michigan.gov