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MICHIGAN STRATEGIC FUND  
STATE HISTORIC PRESERVATION OFFICE

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## State Historic Tax Credit Program PA 343 of 2020

### Frequently Asked Questions

May 25, 2022

#### **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?**

The State Historic Preservation Office (SHPO) has tentative plans to open the tax credit application period on June 15, 2022 at 9am. The opening will NOT occur prior to this date. Please visit the [SHPO website](https://www.shpo.org/) for the most current program information, process updates and application opening date.

#### **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.

[www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf](https://www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf)

#### **Are State tax credits limited to only exterior work?**

No. State credits are available for all capital improvements made to and within the historic resource.



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

There will not be a State Historic Tax Credit application form per se. All State certification applications must be submitted using the program's 3-part online portal. A template is posted online to aid the applicant in gathering the proper information prior to using the portal. The 3-part State application is entirely independent and separate from the 3-part Federal Historic Tax Credit application and program.

**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?**

Yes and No.

Applications for projects with Federal Part 2 approval, work carried out or, that were complete and returned to service before the effective date of the legislation (1/1/2021) will not be accepted.

An applicant may file a State Part 2 application that includes work already completed. The appropriateness of completed work will be assessed and if determined to be acceptable, the additional proposed work will be reviewed. In no case may a State Part 2 application include work that was complete more than one year before the State Part 2 application was submitted.

**Does including previous completed work effect the project timeline?**

Yes. If a State Part 2 application including previously completed work is awarded a preapproval letter, the eight-year period for completion of the project will be reduced to seven years and the period to submit the State Part 3 reduced to eight years or one year after the property is returned to service, whichever occurs first.

**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. SHPO will make every effort to review applications more quickly.

**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. Incorporated non-profit organizations operating in Michigan are eligible to apply and receive credits, but must transfer credits to a *Qualified Tax Payer* with Michigan tax liability in order to redeem the credits with the Michigan Department of Treasury.

**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](#).

**Do properties that are individually listed on the National Register have to submit a State Part 1 application?**

All projects seeking State credits must submit a State Part 1 application. Because the legislation does not specifically exempt individually listed properties from submitting a State Part 1 application, and to create equity within the program, all properties seeking State tax credits will be required to submit all three State Parts 1, 2, and 3 of the state application.

**Will requests for preliminary determinations of eligibility be accepted?**

Only State Part 1 applications for properties seeking a determination that the resource is *individually eligible* for listing in the National Register of Historic Places will be accepted. State Part 1 applications seeking a preliminary determination based on contribution of the resource to a potentially eligible district will not be accepted.

**How long does a project with a preliminary determination of individual eligibility have to complete the listing process?**

A project with a preliminary Part 1 must complete the formal listing process before their State Part 3 application will be accepted. Because the State Part 3 must be submitted within nine years of the date of the pre-approval letter or within one year of when the building is returned to service, the specific timeline will vary depending on the project.

**Will there be review fees associated with the State credits?**

Yes, there are review fees associated with each part of the state tax credit applications. The fees for a State Part 1 are a fixed fee based on project type. The fees for State Part 2 and 3 include a fixed base fee plus a percentage of the anticipated credits at State Part 2 and actual credits received at State Part 3 by the project. The specific fee amounts/percentages can be found in the State Historic Preservation Tax Credit Rules, Section R 206.209 posted on the SHPO website.

**At what point in the review process will fees be collected?**

Review fees will be collected at the time the associated application part is submitted. Applications that do not include the required fee will be incomplete until the required fee is submitted.

**What happens if fee payment is returned to the Michigan Strategy Fund (MSF)/SHPO for insufficient funds?**

If fee payment is returned to the MSF/SHPO for insufficient funds, the associated application will be deemed incomplete until such time as a new payment is submitted and cleared by the relevant financial institution. Priority numbering for these projects will be based on the date and time the new fee is cleared by the relevant financial institution.

**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); general associated guidance found in *The Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring & Reconstructing Historic Buildings* as published by the National Park Service in 2017; the detailed 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.

**Is every project guaranteed a full 25% credit?**

No. In fact, not every application is guaranteed it will receive any credit at all. Because both minimum credit caps based on project type and an overall annual cap on the total program are included in the legislation, the possibility exists that a project may receive a preapproval letter for less than a full 25% credit.

**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.

**When must the State Part 3 application be filed?**

State Part 3 for a project that receives a pre-approval letter shall be filed within nine-years of the date of the pre-approval letter or within one year of when the project is returned to service, whichever occurs first.

**May a State Part 3 application request additional credits beyond those awarded in the preapproval letter?**

Yes. A qualified taxpayer may request credits on their State Part 3 application equal to up to 25% of the projects actual qualified expenditures. State Part 3 applications requesting credits in excess of those specified in their preapproval letter will be added to the end of the list of priority applications awaiting credit reservations and may be awarded additional credit if any are available.

**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 (State Part 3).

**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 credits. For those projects seeking both Federal and State credits, the project's State application will be considered to have been complete on the day it was received provided that the corresponding Federal approval is issued before the end of the 120-day Stated review period. If the Federal approval is not issued within 120-days of the receipt date of the corresponding State application, the State application will then be considered to be complete on the date that the Federal determination is issued.

**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 State 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. Please regularly check the State Tax Credit Program pages 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 and Rules as both contain additional information relating to an applicant's responsibilities.**

Questions regarding the program should be emailed to [preservation@michigan.gov](mailto:preservation@michigan.gov)