



MINNESOTA REHABILITATION TAX CREDIT

The **Minnesota Rehabilitation Tax Credit** was signed into law in April 2010 as an incentive to stimulate job growth, increase local tax bases, and revitalize communities across the state by encouraging private investment in historic properties (Laws of Minnesota, 2010, Chapter 216, Sections 11 and 17). The Minnesota Historic Structure Rehabilitation Tax Credit is set to expire after fiscal year 2021, unless it is reauthorized.

The state historic structure rehabilitation tax credit mirrors the federal historic preservation tax incentive and is used in conjunction with the federal credit. Property owners who are undertaking a historic rehabilitation project are eligible to receive a state income tax credit on qualified rehabilitation expenses equal to the federal tax incentive. Owners may elect to receive a grant-in-lieu-of-credit equal to 90 percent of the allowable credit.

The program is administered by the Minnesota Historic Preservation Office at the Minnesota Historical Society, in partnership with the Minnesota Department of Revenue. The federal historic preservation tax incentives program is administered by the National Park Service in partnership with the Internal Revenue Service.

▲ *Northwestern National Life Insurance Company's historic home office in Minneapolis now houses a number of apartment units.*

Application forms and instructions:

mnhs.org/historictaxcredit

For more information:

Minnesota buildings listed on the National Register of Historic Places:
mnhs.org/nrhp

Federal historic preservation tax incentives:
nps.gov/tps/tax-incentives.htm

Technical information on rehabilitation:
nps.gov/tps/how-to-preserve.htm

The Secretary of the Interior's Standards:
nps.gov/tps/standards.htm

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MINNESOTA HISTORICAL SOCIETY
HERITAGE PRESERVATION



MINNESOTA HISTORIC STRUCTURE REHABILITATION TAX CREDIT

WHICH PROJECTS QUALIFY

- Property must be a certified historic structure: a building listed on the National Register of Historic Places or certified as contributing to a Registered Historic District
- Building must be rehabilitated for income-producing use
- Owner must apply for state tax credits before construction work begins
- Cost of rehabilitation must exceed the pre-rehabilitation cost of the building
- National Park Service must approve the project plans and certify the completed work as meeting the Secretary of the Interior's Standards for Rehabilitation
- Taxpayer must be allowed the federal historic preservation tax incentive for the project



▲ Cannon River Winery rehabilitated an event space in the historic Kruse Garage in Cannon Falls (above and on cover). The winery's project only included the interior of the building.

▼ Construction underway at Fort Snelling's Upper Post in 2015, where CommonBond Communities created housing for homeless veterans and their families.



THE APPLICATION PROCESS

The Minnesota application is a two-part form that accompanies the three-part federal application. Part 1 of the federal application should be submitted before applying for the state credit.

- Description of Rehabilitation: Part A of the Minnesota application should be submitted with Part 2 of the federal application before construction begins.
- Request for Certification: Part B of the Minnesota application should be submitted with Part 3 of the federal application after construction is complete.

The state charges nonrefundable application fees based on the amount of a project's qualified rehabilitation expenses. The National Park Service charges a separate fee for the federal application, also based on project cost.

Application forms and instructions are available at mnhs.org/historictaxcredit.



HOW THE CREDIT IS APPROVED

Throughout the project, Minnesota Historic Preservation Office staff work with property owners to determine the best approach to meet rehabilitation and project objectives. In general, rehabilitation work should strive to retain and repair original historic features, craftsmanship, materials, character, and spaces.

The completed project must meet the Secretary of the Interior's Standards for Rehabilitation and be approved by the National Park Service. A Minnesota Tax Credit Certificate or a grant-in-lieu-of-credit (see below) is issued after the work is complete, the building is placed in service, and NPS certification is received. The income tax credit is refundable and transferable.

Taxpayers may choose a grant-in-lieu-of-credit equal to 90 percent of the allowable credit. Grant agreements are executed and payment is issued after NPS certification of the completed project.

The owner will be required to sign a Letter of Agreement Governing Use of the Historic Property, assuming responsibility to maintain the historic property for five years.

Applicants are strongly encouraged to seek the advice of a qualified tax adviser with questions concerning specific tax consequences before proceeding with any tax credit rehabilitation project.

▲ One of the largest tax credit projects to date is the historic Cedar Square West (now Riverside Plaza) in Minneapolis.