

Historic Resource Credit

Qualified taxpayers with a certified rehabilitation plan, may claim a credit against the Single Business Tax for qualified expenditures for rehabilitating a historic resource pursuant to a rehabilitation plan. The credit is claimed in the year when the certification of completed rehabilitation of the resource is issued if the certification of completed rehabilitation was issued within 5 years after the rehabilitation plan (MCL 208.39c(16)(k)) was certified by the Michigan Historical Center. (MCL 208.39c(1))

A "historic resource" (MCL 208.39c(16)(c)) is a publicly or privately owned historic building, structure, site, object, feature, or open space located within a historic district (MCL 208.39c(16)(b)) designated by the National Register of Historic Places, the State Register of Historic Sites, or a county, city, village, or township acting under the state Local Historic Districts Act; or that is individually listed on the State Register of Historic Sites or National Register of Historic Places. (MCL 208.39c(16))

"Qualified expenditures" are capital expenditures that qualify for a rehabilitation credit under Section 47(a)(2) of the Internal Revenue Code of the taxpayer is eligible for the federal credit or, if the taxpayer is not eligible for the federal credit, the qualified expenditures that would qualify under the federal credit except that the expenditures are made to a historic resource that is not eligible for the federal credit, that were paid not more than five years after the certification of the rehabilitation plan that included those expenditures was approved by the Michigan Historical Center, and that were paid after December 31, 1998 for rehabilitating a historic resource. Qualified expenditures do not include capital expenditures for nonhistoric additions to a historic resource unless the addition is required by state or federal regulations that relate to historic preservation, safety, or accessibility. (MCL 208.39c(16)(i))

A "qualified taxpayer" is an individual, partnership, corporation, association, governmental entity or other legal entity (MCL 208.39c(16)(h)) that owns the historic resource to be rehabilitated or that has a long-term lease agreement (MCL 208.39c(16)(e)) (at least 27.5 years for a residential site or at least 31.5 years for a nonresidential site) with the owner of the historic resource and that has qualified expenditures for rehabilitating the historic resource equal to or greater than 10% of the property's state equalized value (SEV). A qualified taxpayer (MCL 208.39c(16)(j)) includes an assignee who has been assigned all or a portion of the credit. If the historic resource to be rehabilitated is a portion of a historic or nonhistoric resource, the assessor for the appropriate local tax collecting unit must determine the SEV of only that portion. If the assessor for the local tax collecting unit where the historic resource is located determines the SEV of that portion, that assessor's determination is used. If the assessor does not determine that SEV of that portion, or if the historic resource does not have an SEV, qualified expenditures must be equal to or greater than 5% of the appraised value as determined by a certified appraiser. (MCL 208.39c(16)).

The credit is limited to 25% of the qualified expenditures that are eligible for the credit under Section 47(a)(2) of the Internal Revenue Code if the taxpayer is eligible for the federal credit or 25% of the qualified expenditures that would qualify under the federal credit except that the expenditures are made to a historic resource that is not eligible for the federal credit. (MCL 208.39c(2))

A taxpayer with qualified expenditures that are eligible for the credit under Section 47(a)(2) of the Internal Revenue Code cannot claim a Single Business Tax credit for those qualified expenditures unless the taxpayer has claimed and received a federal credit for those qualified expenditures. The Single Business Tax credit is reduced by the amount of a credit received by the taxpayer for the same qualified expenditures under Section 47(a)(2) of the Internal Revenue Code. (MCL 208.39c(2))

If a qualified taxpayer is a partnership, limited liability company (LLC), or S corporation, the qualified taxpayer may assign all or any portion of the credit to its partners, members, or shareholders, based on the partner's member's, or shareholder's proportionate share of ownership or based on an alternative method approved by the Department. A credit assignment is irrevocable and must be made in the tax year when a certificate of completed rehabilitation is issued. A qualified taxpayer may claim a portion of a credit and assign the remaining credit amount. A partner, member, or shareholder that is an assignee cannot further assign the credit. A credit amount that is assigned may be claimed against the partner's, member's, or shareholder's income tax liability. A credit assignment must be made on a form prescribed by the Treasury Department. The qualified taxpayer and assignees must send a copy of the completed assignment form to the Department in the tax year when the assignment is made and attach a copy of the completed assignment form to the SBT annual return for that tax year. (MCL 208.39c(7))

Certification for the credit is obtained by application to the State Historic Preservation Office of the Michigan Historical Center of the Department of History, Arts, and Libraries (the Michigan Historical Center). (MCL 208.39c(16)(f)) The certification must state that the historic significance, the rehabilitation plan, and the completed rehabilitation of the historic resource meet the historic resource criteria for qualified expenditures and either of the following:

(1) All of the following: (a) the historic resource contributes to the significance of the historic district where it is located; (b) both the rehabilitation plan and completed rehabilitation of the historic resource meet the federal Secretary of the Interior's standards for rehabilitation and guidelines for rehabilitating historic buildings, 36 CFR 67; and (c) all rehabilitation work has been done to or within the walls, boundaries, or structures of the historic resource or to historic resources located within the property boundaries of the property.

(2) The taxpayer has received certification from the National Park Service that the historic resource's significance, the rehabilitation plan, and the completed rehabilitation qualify for the credit allowed under Section 47(a)(2) of the Internal Revenue Code. (MCL 208.39c(3))

If a qualified taxpayer is eligible for the federal credit under Section 47(a)(2) of the Internal Revenue Code, the qualified taxpayer must file for certification with the Center to qualify for the federal credit. If the qualified taxpayer has previously filed for certification with the Center to qualify for the federal credit, additional filing for the SBT credit is not required. (MCL 208.39c(4))

To claim qualified expenditures, a historic resource must meet one of the criteria listed in (1) below and one of the criteria listed in (2) below:

(1) The resource is one of the following during the tax year when an Single Business Tax credit is claimed for those qualified expenditures: (a) individually listed on the National Register of Historic Places of State Register of Historic Sites; (b) a contributing resource located within a historic district listed on the National Register of Historic Places of State Register of Historic Sites; or (c) a contributing resource located within a historic district designated by a county, city, village, or township under an ordinance adopted under the state Local Historic Districts Act. A "contributing resource" is a historic resource that contributes to the significance of the historic district where it is located. (MCL 208.39c(16)(a))

(2) The resource meets one of the following criteria during the tax year when an SBT credit is claimed for those qualified expenditures: (a) the historic resource is located in a designated historic district in a county, city, village, or township with an existing ordinance under the state Local Historic Districts Act; (b) the historic resource is located in an incorporated local government unit does not have an ordinance under the state Local Historic Districts Act but which has a population of less than 5,000; (c) the historic resource is located in an unincorporated local government unit; or, effective March 9, 2006 and applying retroactively for tax years that begin after December 31, 2004, (d) the historic resource is located in an incorporated local unit of government that does not have an ordinance under the Local Historic District Act and is located within the boundaries of an association that has been chartered under 1989 PA 39 (MCL 455.51 to 455.72). (MCL 208.39c(6))

The Michigan Historical Center may inspect a historic resource at any time during the rehabilitation process and may revoke its certification of completed rehabilitation if the rehabilitation was not undertaken as represented in the rehabilitation plan or if unapproved alterations to the completed rehabilitation are made during the five years after the tax year when the Single Business Tax credit was claimed. The Center must notify the Department of Treasury of a revocation. (MCL 208.39c(5))

The qualified taxpayer must attach must all of the following to the annual SBT return or annual income tax return, if applicable, on which the credit is claimed:

- Certification of completed rehabilitation;
- Certification of historic significance related to the historic resource and the qualified expenditures used to claim a credit;
- A completed assignment form if the qualified taxpayer has assigned any portion of the credit to a partner, member, or shareholder, or if the taxpayer is an assignee of any portion of the credit. (MCL 208.39c(12))

The total of the credits under the Single Business Tax credit and the historic resource rehabilitation credit allowed under the state income tax for a rehabilitation project cannot exceed 25% of the total qualified expenditures of the taxpayer eligible for the SBT credit. (MCL 208.39c(14))

If the credit allowed for the tax year and any unused carryforward of the credit exceed the taxpayer's tax liability for the tax year, the excess amount cannot be refunded, but may be carried forward to offset tax liability in later tax years for 10 years or until exhausted, whichever is first. (MCL 208.39c(8))

If a taxpayer sells a historic resource for which the credit was claimed, or if a certification of completed rehabilitation is revoked, less than 5 years after the year when the credit was claimed, the following percentage of the credit amount previously claimed for that historic resource must be added back to the taxpayer's tax liability in the year of the sale or revocation:

- 100% if the sale or revocation is less than one year after the year when the credit was claimed;
- 80% if the sale or revocation is at least one year but less than two years after the year when the credit was claimed;
- 60% if the sale or revocation is at least two years but less than three years after the year when the credit was claimed;
- 40% if the sale or revocation is at least three years but less than four years after the year when the credit was claimed;

20% if the sale or revocation is at least four years but less than five years after the year when the credit was claimed; and no addback if the sale or revocation is five or more years after the year when the credit was claimed. (MCL 208.39c(10))

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