

NC-Rehab Instructions Historic Rehabilitation Tax Credits

GENERAL INFORMATION

The information below does not cover all provisions of the law. See North Carolina General Statutes 105-129.105 through 105-129.110 for additional information.

Historic Rehabilitation Tax Credits Investment Program. Article 3L, which became effective January 1, 2016, established two new tax credits for rehabilitating historic structures in North Carolina:

- (1) A tax credit for rehabilitating an income-producing historic structure
- (2) A tax credit for rehabilitating a nonincome-producing historic structure

Both tax credits may be taken against the franchise tax levied in Article 3, income taxes levied under Article 4, or the gross premiums tax levied in Article 8B. A taxpayer claiming a credit under Article 3L must complete the NC-Rehab form and place it on the front of the completed tax return. In addition, in order to take the tax credit, a taxpayer must complete and attach any necessary tax credit summary form, i.e. Form CD-425 (Corporate Tax Credit Summary), Form D-400TC (Individual Income Tax Credits), or Form D-403TC (Partnership Tax Credit Summary). **Important. Failure to include a Form NC-Rehab with your tax return may result in the disallowance of these tax credits.**

When to file. A taxpayer may claim a historic rehabilitation tax credit on a tax return filed for the taxable year in which the certified historic structure was placed into service. The NC-Rehab form must be filed by the taxpayer in the tax year the taxpayer qualifies for the tax credit. This requirement applies even if the taxpayer's tax liability for that year is not large enough for the taxpayer to take the tax credit.

Cap. The tax credit may not exceed the amount of the tax against which it is claimed for the taxable year reduced by the sum of all credits allowed, except payments of tax made by or on behalf of the taxpayer. Any unused portion of the tax credit may be carried forward for the succeeding nine years.

Pass-through entities. A pass-through entity must provide sufficient information about the tax credit to its owners or beneficiaries to allow them to complete the necessary tax credit summary form. The information must be provided on, or as an attachment to, the NC K-1 provided to the owner or beneficiary. An owner or beneficiary should add the tax credits passed through by a pass-through entity to any credits the owner or beneficiary qualifies for directly when completing the tax credit summary form.

Substantiation. To claim a historic rehabilitation credit, the taxpayer must provide any information required by the Secretary, including a copy of the certification obtained from the State Historic Preservation office verifying that the historic structure has been rehabilitated in accordance with the requirements set out in Article 3L of the North Carolina General Statutes. The burden of proving eligibility for the tax credit and the amount of the credit rests upon the taxpayer, and no credit will be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection.

Short-period returns. If a taxpayer is required to file more than one tax return during a year, each return constitutes a year for purposes of taking any unused portion of a tax credit.

SPECIFIC INFORMATION

Part 1. Qualifying Information. *(The information requested for Part 1 is for multiple locations at which rehabilitation expenditures or rehabilitation expenses were made in North Carolina during the tax year.)*

- (1) **IRC Section 47 Credit.** Fill in the applicable circle indicating whether or not a federal IRC Section 47 Credit was allowed during the tax year.
- (2) **Type of Historic Structure.** Fill in the applicable circle related to the type of historic structure placed in service during the tax year.
- (3) **Address and County Where Historic Structure is Placed in Service.** Enter the address and county in which qualified rehabilitation expenditures or rehabilitation expenses were made during the tax year. If multiple historic structures were placed in service during the tax year, list the address of each specific location.

Part 2. Computation of Credit Amount for Rehabilitating Income-Producing Historic Structure. *(The information requested for Part 2 is for multiple locations at which rehabilitation expenditures were made in North Carolina during the tax year.)*

Line 1. A taxpayer who is allowed a federal income tax credit under Section 47 of the Internal Revenue Code ("Code") for making qualified rehabilitation expenditures for a certified historic structure located in North Carolina is allowed a State tax credit equal to a percentage of the qualified rehabilitation expenditures. *(For a definition of "qualified rehabilitation expenditures" and "certified historic structure", see N.C. Gen. Stat. § 105-129.105(c).)*

On Line 1, enter the total qualified rehabilitation expenditures made in North Carolina during the tax year.

Line 2 and 3. The credit for rehabilitating an income-producing historic structure may not exceed four million five hundred thousand dollars (\$4,500,000) in a tax year. Therefore, the maximum amount of qualified expenditures allowed for rehabilitating income-producing historic structures in a tax year is limited to \$20,000,000.

Compare the amount of qualified rehabilitation expenditures made during the tax year (Line 1) with \$20,000,000 (Line 2). Enter the lesser of Line 1 or Line 2 on Line 3.

Line 4 and 5. Taxpayers are allowed a tax credit equal to fifteen percent (15%) of qualified rehabilitation expenditures up to \$10 million dollars.

On Line 4, enter the amount of qualified rehabilitation expenditures (Line 3) up to \$10,000,000. On Line 5, multiply the amount entered on Line 4 by fifteen percent (15%).

Line 6 and 7. Taxpayers are allowed a tax credit equal to ten percent (10%) of qualified rehabilitation expenditures over \$10 million dollars up to \$20 million dollars.

On Line 6, enter the amount of qualified rehabilitation expenditures (Line 3) over \$10 million and up to \$20 million. On Line 7, multiply the amount entered on Line 6 by ten percent (10%).

Lines 8 through 13. Taxpayers are allowed an enhanced incentive for rehabilitating a historic structure located in a development tier one or tier two area, for historic structures located on an eligible targeted investment site and for structures used for an educational purpose. *(For a definition of "development tier area", "eligible targeted investment site", "and educational purpose", see N.C. Gen. Stat. § 105-129.105(c).)*

On Line 8, enter the amount of qualified rehabilitation expenditures located in a development tier one or tier two area. On Line 9, multiply Line 8 by five percent (5%).

On Line 10, enter the amount of qualified rehabilitation expenditures located on an eligible targeted investment site. On Line 11, multiply Line 10 by five percent (5%).

On line 12, enter the amount of qualified rehabilitation expenditures used for an educational purpose. On Line 13, multiply line 12 by five percent (5%).

Line 14. Add Lines 5, 7, 9, 11, and 13. **This is the eligible amount of credit for rehabilitating income-producing historic structure in North Carolina for the tax year.**

Line 15 and 16. The maximum amount of credit for rehabilitating an income-producing historic structure is \$4,500,000. Enter the lesser of Line 14 or Line 15 on Line 16.

Part 3. Computation of Credit Amount for Rehabilitating Nonincome-Producing Historic Structure. *(The information requested for Part 3 is for a single discrete property parcel at which rehabilitation expenses were made in North Carolina during the tax year. If you had rehabilitation expenses at more than one discrete property parcel during the tax year, complete a separate NC-Rehab form for each discrete property parcel. For a definition of "discrete property parcel," see N.C. Gen. Stat. § 105-129.106(c)(2).)*

Line 17. A taxpayer who is not allowed a federal income tax credit under Section 47 of the Code and who has rehabilitation expenses of at least ten thousand dollars (\$10,000) for a State-certified historic structure located in North Carolina is allowed a State tax credit equal to fifteen percent (15%) of rehabilitation expenses. *(For a definition of "rehabilitation expenses" and "State-certified historic structure", see N.C. Gen. Stat. § 105-129.106(c).)*

On Line 17, enter the amount of rehabilitation expenses per discrete property parcel made in North Carolina during the tax year. The amount of Line 17 must be \$10,000 or greater.

Line 18 and 19. The credit for rehabilitating a nonincome-producing historic structure may not exceed twenty-two thousand five hundred dollars (\$22,500) per discrete property parcel. Therefore, the maximum amount of rehabilitation expenses allowed for rehabilitating a nonincome-producing historic structure is limited to \$150,000 per discrete property parcel.

Compare the amount of rehabilitation expenses made during the tax year for a discrete property parcel (Line 17) with \$150,000 (Line 18). Enter the lesser of Line 17 or Line 18 on Line 19. **(Important.** *There are special statutory credit limitations for a taxpayer who is a transferee of State-certified historic structures. For more information on this limitation, see N.C. Gen. Stat. § 105-129.106(b).)*

Line 20. Multiply Line 19 by fifteen percent (15%). **This is the amount of credit for rehabilitating a nonincome-producing historic structure in North Carolina per discrete property parcel for the tax year.**

Part 4. Computation of Amount to Be Taken For the Tax Year. *(The information requested for Part 4 is a cumulative total for all historic properties placed in service during the tax year and should be entered only once on the last NC-Rehab form filed.)*

Line 21. Enter the amount of tax credit for rehabilitating an income-producing historic structure for the tax year. *(From Part 2, Line 16)*

Line 22. Enter the amount of tax credit carried forward from prior years.

Line 23. Add Lines 21 and 22. **This is the total amount of tax credit to be taken for rehabilitating an income-producing historic structure for the tax year.** Enter the amount of Line 23 on the applicable tax credit summary form, i.e. Form CD-425 (Corporate Tax Credit Summary), Form D-400TC (Individual Income Tax Credits), or Form D-403TC (Partnership Tax Credit Summary).

Line 24. Enter the amount of tax credit for rehabilitating a nonincome-producing historic structure for the tax year. *(From Part 3, Line 20)* If rehabilitating multiple discrete structures during the tax year, add the amount from Part 3, Line 20 of each form and enter the sum on Line 24.

Line 25. Enter the amount of tax credit carried forward from prior years.

Line 26. Add Lines 24 and 25. **This is the total amount of tax credit to be taken for rehabilitating a nonincome-producing historic structure for the tax year.** Enter the amount of Line 26 on the applicable tax credit summary form, i.e. Form CD-425 (Corporate Tax Credit Summary), Form D-400TC (Individual Income Tax Credits), or Form D-403TC (Partnership Tax Credit Summary).