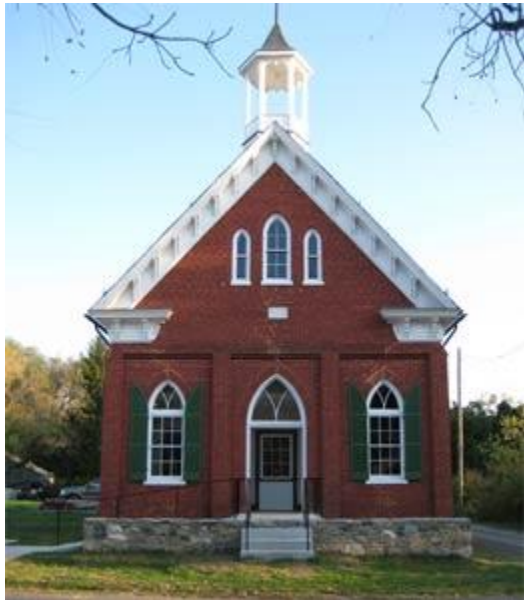


Qualified Expenses

Not every expense associated with a rehabilitation project contributes toward the calculations for the 20% rehabilitation tax credit. In general, only those costs that are directly related to the repair or improvement of structural and architectural features of the historic building will qualify.



Costs associated with these items are generally eligible

- Walls
- Partitions
- Floors
- Ceilings
- Permanent coverings, such as paneling or tiles
- Windows and doors

- Components of central air conditioning or heating systems
- Plumbing and plumbing fixtures
- Electrical wiring and lighting fixtures
- Chimneys
- Stairs
- Escalators, elevators, sprinkler systems, fire escapes
- Other components related to the operation or maintenance of the building

Expenses that do not qualify for the rehabilitation tax credit

- Acquisition costs
- Appliances
- Cabinets
- Carpeting (if tacked in place and not glued)
- Decks (not part of original building)
- Demolition costs (removal of a building on property site)
- Fencing
- Feasibility studies
- Financing fees
- Furniture
- Landscaping
- Leasing Expenses
- Moving (building) costs (if part of acquisition)
- New construction costs or enlargement costs (increase in total volume)
- Outdoor lighting remote from building
- Parking lot
- Paving
- Planters
- Porches and Porticos (not part of original building)
- Retaining walls
- Sidewalks
- Signage
- Storm sewer construction costs
- Window treatments

Expenses that Qualify for the Rehabilitation Tax Credit

Any expenditure for a structural component of a building will qualify for the rehabilitation tax credit. Treasury Regulation 1.48-1(e)(2) defines structural components to include walls, partitions, floors, ceilings, permanent coverings such as paneling or tiling, windows and doors, components of central air conditioning or heating systems, plumbing and plumbing fixtures,

electrical wiring and lighting fixtures, chimneys, stairs, escalators, elevators, sprinkling systems, fire escapes, and other components related to the operation or maintenance of the building.

In addition to the above named "hard costs", there are "soft costs" which also qualify. These include construction period interest and taxes, architect fees, engineering fees, construction management costs, reasonable developer fees, and any other fees paid that would normally be charged to a capital account.

Are solar panels, wind turbines or geothermal systems eligible expenses?

Because IRS regulations define structural components to include all features (whether in, on, or adjacent to the building) of a central air conditioning or heating system, plumbing and plumbing fixtures, electric wiring, and other components relating to the operation or maintenance of a building, the function and purpose of a renewable energy system will determine if it is an eligible expense. Solar panels, wind turbines, and geothermal systems that are essential to the operation or maintenance of the rehabilitated historic building should qualify for this tax credit. However, systems that produce electricity to back feed the power grid may not qualify.