



WISCONSIN HISTORICAL SOCIETY

Division of Historic Preservation – Public History

HISTORIC HOMEOWNERS TAX CREDIT PROGRAM APPLICATION INSTRUCTIONS

INTRODUCTION

Wisconsin homeowners can claim a 25% state income tax credit for rehabilitation of their historic personal residences. To qualify, an owner must spend at least \$10,000 on eligible work and must submit a tax credit application. The application must be approved before work begins. The maximum credit per project is \$10,000, or \$5,000 for married persons filing separately.

OVERVIEW AND PURPOSE OF THIS PROGRAM

This tax credit program was created to assist historic homeowners who are willing to use a high standard of care when specifying work and selecting materials in order to avoid harming the historic character of their houses and causing damage to their building materials. The program is administered by the Division of Historic Preservation – Public History of the Wisconsin Historical Society.

Homeowners must apply for the credit before work begins and must send photographs and a clear description of the proposed work. For each application, the Society has two primary duties: 1) to certify that the property is *historic*; and 2) to certify that the proposed work is *sympathetic* to the historic character of the house and will not cause it physical harm. The Society also certifies that completed work has been carried out as specified in the approved application.

Once their applications have been approved, homeowners may claim tax credits when they file their state income tax forms, based on money that they have spent for eligible work. When work has been completed, homeowners must send photographs and a notification that the work has been completed.

Except as mentioned above, all laws and regulations pertaining to this program are the responsibility of the Wisconsin Department of Revenue (DOR).



REQUIREMENTS

To qualify for this tax credit you must meet the following conditions:

1. Your property must be located in Wisconsin and it must be your personal residence. It cannot be used actively in a trade or business, held for the production of income, or held for sale or other disposition in the ordinary course of trade or business.
2. Your property must be historic. It must be certified to be one of the following:
 - listed in the National Register of Historic Places or the State Register of Historic Places;
 - contributing to a national register or state register historic district; or,
 - eligible for individual listing in the state register. (See "Historic Property," page 2.)
3. You must apply to receive the credit.

Before you start the work, you must submit:

 - a Part 1 application and photographs so that staff can certify that your property is historic; and
 - a Part 2 application and photographs to illustrate the proposed work so that staff can certify that it will not diminish your property's historic character. (You must receive Part 2 approval before you begin any work for which you plan to claim the tax credits.)

After the work is done, you must submit a "Request for Certification of Completed Work," along with "after" photographs to verify that work was carried out as described in the Part 2 application.
4. You must spend at least \$10,000 on eligible project work within a two-year period, which can be extended to five years. Work that does not qualify for the tax credit, such as decorative interior work, does not count toward meeting this requirement. (See "Eligible Work," page 2.)
5. All work must meet "The Secretary of the Interior's Standards for Rehabilitation," including work that may not qualify for the tax credits.
6. You must complete all work within two years of the time that you begin physical work, unless you apply to have the work phased over an extended period of up to 5 years. To qualify for 5 year phasing, you must submit a phasing plan before you begin. (See "Expenditure Period," page 3.)
7. You will be required to own and maintain the historic character of your property for a period of five years after you have taken the tax credit or pay back all, or a portion of the tax credit. (See "Recapture," page 3).

ELIGIBLE WORK

You may claim the tax credit only for the following work:

- The exterior of a building. (The building can be an addition or outbuilding if it is determined to contribute to the historical significance of the property.)
- Structural elements of the building (see Note 1 below)
- Heating, ventilating, or air conditioning systems
- Electrical systems or plumbing, excluding electrical or plumbing fixtures.
- The interior of a window sash if work is done to the exterior of the window sash.
- Architectural fees
- The cost of preparing a State Register nomination

The following are examples of work that would not qualify for the tax credit but would be reviewed for conformance with the Standards:

- Work carried out within a 12 month period prior to our receipt of the Part 2 application (see Note 2, below)
- Installation of wall or attic insulation
- Interior remodeling or decoration
- New additions
- Landscaping and site work
- Plumbing and electrical fixtures
- Work on additions or outbuildings that do not contribute to the historical significance of the property.

NOTES

1. "Structural elements" are portions of a building necessary to prevent physical collapse, including footings, beams, posts, columns, purlins, rafters, foundation walls, interior wall structures, and exterior wall structures, excluding finish materials, such as plaster, lath, and decorative trim.
2. The reason for the "12-month rule" is to prevent owners from carrying out unsympathetic work (work that would result in denial of a project) before submitting a Part 2 application.
3. **If you are unsure whether work is eligible for the credit . . .** At times, it may be difficult to determine whether a work item qualifies for a tax credit. Not all work falls neatly into the categories of eligible work listed above; therefore, judgments must sometimes be made. For example, while it may be reasonable to assume that installation of a hot water heater falls into the category of plumbing systems, refinishing a wood floor clearly does not qualify as work on a structural system. State statutes give the Society very limited authority. We are responsible for certifying that properties are historically significant and that work is compatible with the historic character of a property. The remaining authority rests with the Wisconsin Department of Revenue (DOR). Although the Society will likely notify you if work is clearly outside the scope of the program, it is up to you to determine what expenses you would like to claim as a credit. Then, as with any other claim, you should keep records and be prepared to justify your claim. DOR may consult with the Society about the eligibility of certain items of work.

EXPENDITURE PERIOD

THE STANDARD TWO-YEAR EXPENDITURE PERIOD

Ordinarily, you must spend \$10,000 on eligible work within 2 years of the date that you begin work. If you plan to carry out work over a longer period of time, you may want to extend the expenditure period to 5 years. This is particularly true if your project will not meet the \$10,000 expenditure requirement in the first 2 years, but will exceed it within a 5-year period.

HOW TO APPLY FOR A FIVE-YEAR EXPENDITURE PERIOD

To extend the expenditure period from 2 to 5 years, you need to submit a "Request for Five-Year Project Phasing" (WTC:004) *along with your Part 2 application*. The application package contains a copy of the form. When filling out this form, remember to list all of the work in the Part 2 application and then to break it down into annual phases for the five-year phasing plan.

NOTE You may submit a phasing plan for an expenditure period less than five years. For example, if you expect your project to continue for only 3 years, simply leave years 4 and 5 blank.



COMPLETING THE PART 1 APPLICATION

1. NAME OF PROPERTY

If your house is individually listed on the national register or state register, use that name; otherwise, use the street address. If your project involves work on outbuildings, include them in the property name. For example, “The Samuel Smith House, Barn, and Silo” or “1341 Main Street - House and Carriage House.” Be sure to check the type of certification that you are requesting and give the name of the historic district name, if applicable.

2. OWNER

Give the names and Social Security numbers of all of the house’s owners.

3. PROJECT CONTACT

Complete this only if there is another person to whom inquiries should be made about the Part 1 application, such as an architect or a consultant.

4. PHOTOGRAPHS

All applications require clear photographs of the current appearance of all sides of the building and its surroundings. If you are applying for preliminary certification, you need to send interior and other detail photographs, as indicated in item 8 below.

5. OWNER'S CERTIFICATION

All owners must sign and date the application.

ONLY COMPLETE THE BACK SIDE OF THE PART 1 APPLICATION IF YOU ARE APPLYING FOR PRELIMINARY CERTIFICATION. The purpose of items 6-8 is to give Division staff enough information to determine that your property is individually eligible for listing in the State Register of Historic Places. If your property is already listed in the state or national registers, or is contained within a historic district, you do not have to complete items 6-8.

6. BUILDING DATA

Indicate the date that the building was constructed and your source for that date. Indicate dates when the building was altered or moved.

The following features require written descriptions or drawings (for your house and all outbuildings):

- Overall shape or plan, such as rectangular or L-shaped. (Drawings or sketches may be necessary.)
- Known substantial alterations or additions, including dates.
- If outbuildings exist, the number, types, and locations should be shown on a site map.

You do not have to describe the following features (of your house and all outbuildings) if they are evident from your photos:

- Number of stories
- Construction materials (brick, frame, stone, etc.)
- Siding or exterior wall covering materials
- Roof shapes (Mansard, hipped, gabled, etc.)
- Important decorative elements.
- Significant interior features and spaces.

7. STATEMENT OF SIGNIFICANCE

To preliminarily certify your house for the tax credit, Division staff needs to be able to determine that it is eligible for listing in the State Register of Historic Places. A property’s historical significance is more than a matter of age. It must be significant for specific reasons -- that is, it must meet criteria for listing in the state register. Also, it must have physical integrity; it cannot have been severely altered.

Staff uses the information and photographs that you provide to determine whether your building meets State Register criteria. In your application, you must demonstrate that your building:

- Is associated with events that have made a significant contribution to the broad patterns of our history; or
- Is associated with the lives of persons significant in our past; or
- Embodies the distinctive characteristics of a type, period, or method of construction, or represents the work of a master architect or builder, or possesses high artistic values, or represents a significant or distinguishable entity whose components may lack individual distinction; or
- Has yielded, or is likely to yield, information important to prehistory or history.

If you use quotations or other documented references in the statement of significance, you should refer to document titles, dates, and pages. Hearsay or “common knowledge” is not acceptable to establish a house’s significance.

The statement of significance is the most important aspect of the Part 1 application -- and the most technically difficult. You may wish to hire a consultant to prepare your Part 1 application. If so, our staff can provide you with a list of consultants who have successfully prepared Part 1 applications and State Register nominations.

8. ADDITIONAL PHOTOGRAPHS

In completing items 6-8, you must send photographs of both the exterior and interior of the building, as well as the site and outbuildings. You must include enough photographs to show the appearance of your house, its site, and outbuildings to our staff. Photographs should be keyed to floor plans and site plans. Applications with insufficient photographs to demonstrate your house’s appearance will be returned for more information.

COMPLETING THE PART 2 APPLICATION

The Part 2 application is where you list and describe the work that you intend to carry out so that our staff can determine whether it will be sympathetic with the historic character of your property. It also serves as a list of approved work that you may present to the DOR if your expenses are questioned. You must complete both sides of the Part 2 application.

ITEMS 1-4 NAME OF PROPERTY; OWNER; PROJECT CONTACT; OWNER'S CERTIFICATION

Repeat the information that you gave on the Part 1 application.

5. PROJECT DATA

This section is divided into two parts: **Section 5 - Eligible Work** asks for information about work for which you plan to claim the tax credit. If you have questions about whether work is eligible for the credit, see Note 3 under "ELIGIBLE WORK" on page 2, or contact our office to discuss specific work items. **Section 5b - Ineligible Work** asks for similar information about additional work that you may be undertaking, or have already carried out as part of a continuing project.

In addition to a listing of proposed work, sections 5a and 5b ask for the following:

Estimated costs

You must give an estimated cost for each of the work items and give a total cost at the bottom of the column. You do not have to obtain firm bids or sign contracts to fill out this section. These are only estimates. You give actual costs at the end of the project when you submit the "Request for Certification of Completed Work."

Start date

Estimate when work will begin for each item.

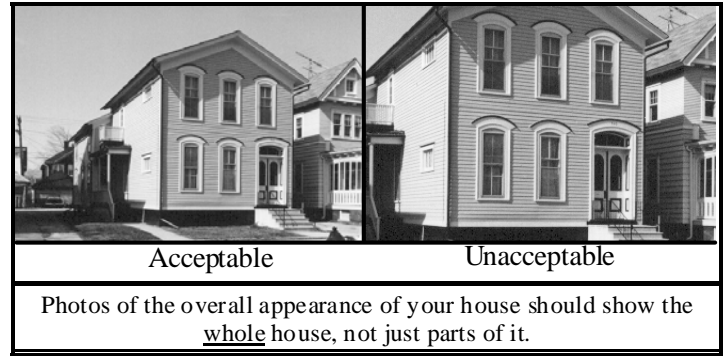
Completion date

Estimate when each work item will be completed. Remember that you only have 2 years to complete the eligible work. If the last completion date is more than 2 years after your earliest start date, you should consider submitting a five-year phasing plan.

6. PHOTOGRAPHS AND DRAWINGS

All applications must be adequately documented. Refer to the "Documentation Requirements" publication that was included with your application package.

Because staff cannot visit every tax credit project, approvals are made on the basis of your photographs. You must include pre-project photos of the overall appearance of all four sides of your house (these can be the Part 1 application photos) and also detail photographs of those areas where you plan to carry out work, both interior and exterior. (see example at right)



- These photographs should be color and a minimum of 3" x 5" in size. Digital photographs are acceptable if they are printed on quality paper at a high resolution and meet the 3 x 5 size requirement. Xerox copies are not acceptable.
- If necessary in order to understand your application, you should give a brief description of what is being shown.
- Send photographs "loose"; that is, not mounted on cardboard or in photo holders.
- Photographs are not returnable.

Drawings and manufacturers' literature

As indicated in the "Documentation Requirements" publication, you must send drawings or sketches of certain alterations, such as window replacement, changes in floor plan, and new construction. These do not have to be prepared by an architect, but they must be adequate to illustrate what you are trying to achieve. If possible, drawings and other materials should be in 8-1/2" x 11" format.

7. DESCRIPTION OF WORK TO BE PERFORMED

In this section, we ask that you describe the work that you plan to perform, including both the eligible work in Section 5a and the ineligible work in Section 5b. The "Documentation Requirements" publication lists information that you need to send for various types of work. You may include contractors' bids, but only if they include all required information. Projects that are not adequately described will be returned without action.



AMENDMENTS

As you carry out your project, you may want to amend its details. You may amend at any time until the completed project is certified. Typical amendments would involve adding work items or revising construction details. To amend, you must send a written amendment and all changes must be approved in writing **and in advance**.

To amend your project, send us a letter. There is no amendment form. The letter must contain the following:

1. Your name and the address of the property.
2. A statement making it clear that you want to amend your project.
3. The following documentation:
 - If you are adding work to the project. Send a description, an estimate of the costs, the dates in which the work is to be carried out and, when necessary, send photographs.
 - If you are deleting work from the project. Indicate the work you would like to remove.
 - If you are changing the details of work already approved. Send a description of how the work is to be amended, and indicate how the costs or dates will be affected.
4. Your signature

NOTE A project needs to be formally amended so that there will be a clear indication of what is, and is not, included in the application in the event that a project is examined by the Wisconsin Department of Revenue (DOR).

CLAIMING THE CREDIT

Once your Part 2 application is approved, the Wisconsin Department of Revenue (DOR) allows you to claim the credit “as you go,” beginning in the tax year that you begin to spend money on approved eligible work. You claim the credit when you fill out your state income tax forms by completing Schedule HR (available from the DOR) and attaching either a copy of the signed Part 2 application or, after your project has been completed, a copy of the approved “Request for Certification of Completed Work.” If your tax credit is greater than your tax liability, you can carry unused portions of the credit forward until you use it up, or for 15 years, whichever comes first.

PRORATION OF TAX CREDITS

If part of your house is also used for the production of income, you may be able to claim this tax credit for the portion that is your residence. You may also be able to claim federal and state tax credits for rehabilitation of the income-producing portion. Proration is made on a square footage basis. The rules for prorating the credit are complicated. Contact Mark Buechel at 608-264-6491 or Jen Davel at 608-264-6490 for additional information. You may also contact the DOR at 608-266-2772 for further information about the proration of credits.

RECAPTURE

You are responsible for maintaining the historic character of your property for five years after you claim the tax credit. If, during that time, you sell the property or carry out additional work that diminishes its historical significance, you will be required to pay back a prorated portion of the tax credit. If you carry out additional work during the recapture period, you must request and receive the written approval of the State Historic Preservation Officer (SHPO) before beginning the work.

The proration schedule works as follows: If recapture is triggered within the first year, you must pay back the entire credit. During the second year, you pay 80%. During the third year, 60%, During the fourth year, 40%. During the fifth year, 20%. After the end of the fifth year, there is no payback requirement.

COMPLETING THE REQUEST FOR CERTIFICATION OF COMPLETED WORK

The Request for Certification of Completed Work has three purposes:

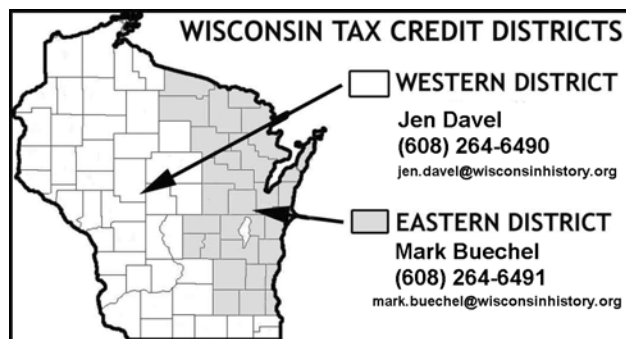
- To demonstrate to the Society that you have carried out the work as stated in your Part 2 application
- To establish for DOR the actual, final cost of your project for purposes of calculating your tax credit.
- To close-out your project.

You must send a "Request for Certification of Completed Work" within 90 days of the completion date for tax credit-eligible work. If we do not receive an acceptable form, the credit may be rescinded or recaptured.

You must supply photographic documentation including photos of the overall appearance of all four sides of your house, as well as “after” photos corresponding to the pre-project photos that you sent with the Part 2 application.

WHERE TO SEND COMPLETED APPLICATIONS

Homeowners Tax Credit
Division of Historic Preservation – Public History
Wisconsin Historical Society
816 State Street
Madison, WI 53706



THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

You can request a copy of the "Secretary of the Interior's Standards for Rehabilitation" and guidelines for rehabilitating historic buildings by calling the Division of Historic Preservation – Public History.

PLEASE NOTE THAT...

1. The rules governing this program are subject to legislative change. If you plan to apply, please contact either Mark Buechel or Jen Davel to discuss your project and to make certain that the forms and instructions are current.
2. Society staff cannot answer questions about your specific tax situation. You should refer these questions to a tax lawyer or accountant, or to the Wisconsin Department of Revenue (DOR).
3. Although the statutes allow a maximum \$10,000 tax credit per project, they do not define the term "project." Owners may submit applications for more than one project, thereby claiming as much as \$10,000 in tax credits for each project.
4. Applicants under this program may still be subject to the Wisconsin Alternative Minimum Tax (AMT). This may affect your ability to claim a credit.
5. By statute, only "natural" persons may claim the credit. Corporate entities are ineligible.
6. Projects that involve state or federal funds, license, or permit may be required to undergo a separate review to ensure that they will have no adverse effect on significant historic or prehistoric resources. This review is separate from, and not binding on, the tax program review.
7. Projects involving locally landmarked properties may need to be reviewed under local statutes, which is a process separate from reviews carried out under this program; furthermore, design decisions made by local commissions are not binding on this program.

APPROVAL AUTHORITY

This program is jointly overseen by the Wisconsin Historical Society and the Wisconsin Department of Revenue (DOR). By statute, the Society's responsibilities are limited to certifying the historical significance of properties and certifying that work meets the Secretary of the Interior's Standards for Rehabilitation. All other aspects of the program are the responsibility of the DOR, including the interpretation of tax-related laws.

WHERE TO GO FOR HELP

- For additional copies of this application form, contact Mary Georgeff at 608-264-6498.
- For advice about completing the Part 1 application, call Joe DeRose at 608-264-6512.
- Questions about application process or specific questions about your project? Call either Mark Buechel or Jen Davel. Please note that, as a state agency, we cannot prepare plans and specifications for your project and we cannot recommend architects or contractors.
- Questions about hiring an architect? Contact the Wisconsin Chapter of the American Institute of Architects at <http://aiaw.org> for a listing of architects experienced and interested in undertaking historic rehabilitation work. When interviewing architects, we suggest that you ask for lists of preservation projects that they have completed, and that you follow up on any references.
- Questions about tax laws relating to this program, contact the Wisconsin Department of Revenue (DOR) at 608-266-2772.