



WISCONSIN
HISTORICAL
SOCIETY

Division of Historic Preservation – Public History
HISTORIC HOMEOWNERS INCOME TAX CREDIT PROGRAM

READ FIRST

Application Instructions For Homeowners' Tax Credits

PART 1 – EVALUATION OF SIGNIFICANCE

NAME OF PROPERTY

If your house is individually listed on the national register or state register, use that name; otherwise, use the street address. Be sure to check the type of certification that you are requesting and give the name of the historic district name, if applicable.

OWNER

Give the names and Social Security numbers of all of the houses' owners.

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.

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 also need to send interior photographs and photos of any character-defining feature.

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. Send photographs "loose"; that is, not mounted on cardboard or in photo holders.



OWNER'S CERTIFICATION

All owners must sign and date the application.

Only complete Page 2 if your house is not currently listed individually or contributing in an historic district.

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.

DESCRIPTION OF PHYSICAL APPEARANCE

Describe your house's style and condition. Explain any additions or alterations you are aware of. Include drawings or sketches of the floor plan and site plan if outbuildings exist.

STATEMENT OF SIGNIFICANCE

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. Below are a few important considerations:

- 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.

PART 2 – DESCRIPTION OF REHABILITATION

ITEMS 1-4

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

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. Eligible work includes virtually any repairs on the house's exterior (examples include roof replacement, tuckpointing, painting, windows, doors, porch repairs); at the interior – work is eligible if it pertains to the structural system; mechanical system; electrical system and plumbing system. Note light fixtures and plumbing fixtures are not eligible.

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. Examples of ineligible work include new construction; wall/attic insulation; bath/kitchen remodels; wood floor refinishing; landscaping and sidewalks/driveways.

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.

PHOTOGRAPHS AND DRAWINGS

Because staff cannot visit every tax credit project, approvals are made on the basis of your photographs. Required photos for Part 2 can be the Part 1 application photos. Also submit detail photographs of those areas where you plan to carry out work, both interior and exterior.

If the proposed work includes items such as replacement doors or windows for example, you must forward manufacturers' literature. If there are any proposed floor plan changes, you must send drawings or sketches. 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.

DESCRIPTION OF WORK TO BE PERFORMED

Describe the work that you plan to perform, including both the eligible work in Section 5a and the ineligible work in Section 5b. You may include contractors' bids, but only if they include all required information. Projects that are not adequately described will be returned without action.

SEND COMPLETED APPLICATIONS TO:

Division of Historic Preservation–Public History
Wisconsin Historical Society – Room 312
816 State Street
Madison, WI 53706



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**. 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).

To amend your project, send us a letter. There is no amendment form. The letter must contain the project address; WHS project number; a clear statement of what work you would like to revise; and the associated cost.

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 a copy of the signed Part 2 application. 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.

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. Questions about tax laws relating to this program, contact the Wisconsin Department of Revenue (DOR) at 608-266-2772.

FREQUENTLY ASKED QUESTIONS

What is a tax credit? In this case, the tax credit is a dollar-for-dollar reduction in what you owe in Wisconsin income taxes. The amount of the credit is 25% of your costs of carrying out eligible work. If your credit is larger than the amount that you owe in state income taxes, you can carry the unused balance into future tax years (up to 15 years into the future) until the credit is used up.

Will this reduce my property taxes? No. This is an income tax credit; it does not affect property taxes.

How does the program work?

- 1) You send a Part 1 and Part 2 application along with “before” photos of your property and a list of the work that you want to carry out;
- 2) We review the **Part 1 application** to certify that your property is historic;
- 3) We review the **Part 2 application** to make sure that the work that you are proposing will not harm the historic character of your property;
- 4) Once we have approved these applications, you carry out the work and take the tax credit year-by-year, based on 25% of your costs of eligible work; and
- 5) When you have completed work on your entire project, you send a **Request for Certification of Completed Work** in which you indicate how much your project cost, along with “after” photos that show the work that you have carried out. When this is approved, your project is considered to be closed-out.

You have 2 years to carry out eligible work that exceeds \$10,000. If you have trouble meeting that requirement, you can extend the 2-year period to 5 years by sending a simple **Request for Five-Year Project Phasing** form with your application. The statutes require that you send this form when you first apply; otherwise, your project cannot go beyond the standard 2-year period.

How long does it take to get a project approved?

Projects are usually approved in 3 weeks or less. We may be able to expedite the review under some circumstances. Please let us know if you have need of urgent approval.

Can I submit my application materials

electronically (via email)? No. We can not accept official applications or subsequent amendments via

email. You must hand deliver or mail all application materials.

I understand that work needs to be pre-approved. What happens if I've already started my project?

You can claim the credit for work that begins *after* your project is approved. Work done before you submit the application should be listed in the “ineligible” category.

I just heard about the program, but I've already done all of the work. Can I still claim the credit?

No. The statutes specifically require that work be pre-approved.

How do I tell if my house is listed in the State Register?

If you have a computer with Internet access, check this website: <http://www.wisconsinhistory.org/ahi/> (Computers are also available at most public libraries.) If you do not have computer access, you may also speak to our staff. See page 3 for telephone numbers.

If my house isn't listed, can I still qualify? Yes, you can qualify if we determine your house *eligible* for listing in the State Register. To make this determination (called a “**preliminary certification**”), we need to receive from you a Part 1 application, photographs, and information to indicate that it meets State Register listing criteria, which are given in the application package. NOTE: If successful, this process only qualifies you for the tax credit. It does **not** result in your property being listed in the State Register or National Register. If you elect to list your house in the registers, you must produce a formal nomination. [For more information about nomination procedures, contact our staff. See page 3 for telephone numbers.]

My house has been severely altered but I plan to use the tax credits to restore it. Can it qualify? It can qualify if your house is already listed in the State Register or contributes to a State Register historic district. If it is submitted as a “preliminary certification” through the process described above, you must demonstrate that it meets State Register listing criteria before the project begins. If it does not meet the criteria beforehand, it cannot qualify, even if your plans call for restoring it to its historic appearance.

My property is in a historic district. Why do I need to send in a Part 1 application? Every project needs a *Part 1 application* to ensure that the property is still historically significant. Some historic districts, for example, were created nearly 30 years ago. Over that time, some properties have been altered and no longer contribute to the historical significance of their districts. This is true also for State Register and National Register properties. We use the application and accompanying photographs to determine whether properties are still historic.

What is a project? A project includes all of the work that you list in the application. For example, your application might include roof work, painting, and a new furnace. These items would comprise a "project."

What kinds of work are eligible? Wisconsin statutes define five categories of work eligible for the tax credit: 1) the exterior of a historic property; 2) the interior of a window sash if work is done to the exterior of the window sash; 3) structural elements of a historic property; 4) heating and ventilating systems; and 5) electrical or plumbing systems, but not electrical or plumbing fixtures.

What if I'm not certain about whether some of the work is eligible for the credit? The Wisconsin Historical Society has very limited authority to determine whether work is, or is not, eligible. The ultimate authority rests with the Wisconsin Department of Revenue. You should treat this like any other item on your income taxes -- claim what you feel are legitimate, eligible expenses and be prepared to support your claims if they are questioned.

Do I have to wait until all of the work is done before I claim the credit? No, you can take the tax credit year-by-year, based on 25% of your eligible costs during the year. Please remember that if you do not spend the required \$10,000 within the 2-year time limit (or 5-year limit if you submit a phasing plan) you will be obligated to pay back any credit that you have taken.

I've heard that there is a maximum tax credit of \$10,000. What happens if I have a very large project? Can I submit more than one application? Yes. We suggest that you do this if your project will include more than \$40,000 of eligible work. Even though one part of the statutes sets a \$10,000 maximum credit *per project*, you are not prohibited by

statute from submitting a second or third project. If you have a project that exceeds \$40,000 in eligible work, you should consider breaking it down in to smaller projects between \$10,000 (the minimum investment) and \$40,000 (the point at which the credit is maximized). The Wisconsin Department of Revenue recognizes this interpretation as valid.

Why do you need overall photographs of my property? We need overall photographs: 1) to determine whether your house is historic; 2) to compare the "before" and "after" work that you are proposing; and 3) to have a record of your house in the event that additional work is carried out during the 5-year recapture period.

Can you return my photos? No. The photographs become part of the public record.

Do I need to send you my financial records? No. At the end of the project you send us a single dollar figure representing the total cost of your eligible work. Keep the financial records in your files in case the Department of Revenue wants to know how you arrived at the amount of your claim.

Do I have to get bids for the work before I apply? No. Although formal bids are the most desirable; sometimes applicants have to use a "best guess," particularly for work that is to take place in future years.

I had a 2-year project, but we're having trouble getting the work completed. Can I extend the tax credit period? No. The statutes require that you submit a phasing plan at the time that you submit the Part 2 application. Unless you've done that, you're limited to a two-year expenditure period. Please note that, the two-year "clock" doesn't start until the work actually begins. For example, if your project was approved on June 1, 2010, but the contractor didn't show up until August, 2010, you would have until August 2012 to complete the project. If you're nearing the end of your 2-year expenditure period, there is another possible resolution. If you have more than \$10,000 of eligible work remaining, you can close out your existing project and submit an application for a second project. Let us know and we will send you new application forms or download them from our website.

When should I consider phasing my project? If you think that your project may go beyond the 2-year limit, you should consider phasing it. Phasing is easy and cost-free. You can close-out your project at any time and there are no penalties for not carrying out work that you have included with your application, provided that you have met the \$10,000 minimum expenditure on eligible work.

Why do you need to see all of the work? See answer below.

Can I submit only the work that is eligible for tax credits and leave out the work that will not be approved? No. We must see the entire project, including work that is not eligible. Ineligible work must be listed and described in the application. The tax credit, which is a public subsidy, must be used for work that benefits, not detracts from, the historical significance of your house. If, for example, you wanted tax credits to repair your roof but planned a large addition on the front of your house, the historical significance of your house would be severely diminished and the tax credits would not have been used as intended: to promote exemplary preservation work. For this reason, we need to examine your whole project.

Will you FAX me an application form? No. The package that we send out contains important instructions that we cannot FAX. First-class mail delivery takes 1 or 2 days and allows us to send you instructions and application forms. Although we prefer this method, if necessary, we can send you the forms and instructions as e-mail attachments or you can download the forms from our website.

What happens if the cost of my project is different from the actual costs? Differences between estimated and actual construction costs are commonplace and do not require any special action other than reporting the true costs at the end of your project.

What happens if the contractors discover additional work that needs to be carried out? Projects can be amended easily to include new work.

Would you please advise us about our tax situation? No. We do not give advice about your individual tax situation. If you need such advice, you

should contact a tax attorney, accountant, or the Wisconsin Department of Revenue.

For a five-year certification, do I have to send a Request for Certification of Completed Work at the end of each phase? No. Send a Request for Certification of Completed Work for the whole project, along with completion photos after all of the work is done. If you send a Request for Certification of Completed Work before your whole project is complete, it will close out your project, making it impossible for you to claim the costs of any remaining work.

I use part of my house as a business. Can I still qualify for the tax credit? Yes, but you must prorate the tax credit by square footage. For example, if 60% of the square footage of your house is used as your residence, you may apply for the homeowners tax credit and multiply it by 60%. As a rough example, if you spent \$20,000 on eligible work, you would be able to claim \$3,000 in tax credits (\$20,000 times 25% times 60%). (**NOTE:** depending on circumstances, it may also be possible to claim a prorated federal tax credit for that portion devoted to your business.

I have other questions. What is the best way to have them answered? Contact our office by telephone or e-mail.

- To find out whether your property is listed in the State Register, or to find out how to nominate your property to the State Register, contact Mary Georgeff at 608-264-6498.
- For specific advice about the program or other technical issues, contact Mark Buechel at 608-264-6491 or Jen Davel at 608-264-6490.
- To request additional tax credit packages, contact Mary Georgeff at 608-264-6498.

FOR FURTHER INFORMATION...

If you have any questions about the tax credit program, the applications, or proposed work – please contact either Mark Buechel or Jen Davel.

