

# Incentives: Rehabilitation Tax Credits

Owners of buildings in Orange may be eligible for this significant federal and state tax incentive when they rehabilitate historic structures. Much of downtown Orange is a part of the Orange Historic Commercial District or a historic structure that may qualify for this program. Rehabilitation tax credits are dollar-for-dollar reductions in income tax liability for taxpayers who rehabilitate these historic buildings. Credits can be applied for through the Virginia Department of Historic Resources. The amount of the credit is based on total rehabilitation costs. The federal credit is 20% of eligible rehabilitation expenses; the state credit is 25%. In some cases, taxpayers can qualify under both programs allowing them to claim credits of 45% of their eligible rehabilitation expenses.

## Federal Historic Preservation Tax Incentive, P.L. 99-514, IRS Code Section 47

**Eligibility:** Owners of properties listed in the National Register of Historic Places, either individually or as contributing elements to historic districts.

**Features:** Property owners who rehabilitate historic buildings can qualify for a credit against their federal income tax liability. The credit is calculated as 20 percent of the eligible rehabilitation expenses. All rehabilitation work must be certified by the National Park Service and Guidelines for Rehabilitating Historic Buildings. To qualify, properties must be used for income producing purposes.

**Benefits:** The program encourages private investment in the repair and adaptive reuse of historic buildings by substantially reducing the cost of such ventures.

## Commonwealth of Virginia Historic Rehabilitation Tax Credit, §58.1-339.2.

**Eligibility:** Owners of properties listed in the Virginia Landmarks Register, either individually or as contributing elements in historic districts, and owners of properties determined to be eligible for listing in the Virginia Landmarks Register.

**Features:** Property owners who rehabilitate historic buildings can qualify for a credit against their state income tax liability. The credit is a percentage of the eligible rehabilitation expenses. The credit is calculated as 25 percent of the expenses for certified projects. All rehabilitation work must be verified by the Department of Historic Resources as consistent with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings.

**Benefits:** The program encourages private investment in the repair and adaptive reuse of historic buildings by substantially reducing the cost of such ventures. Both income-producing and private residences can qualify.

*For further information please contact Stuart Andreason, Executive Director – Orange Downtown Alliance, at 540-672-2540 or [director@orangedowntownalliance.org](mailto:director@orangedowntownalliance.org). Rehabilitation Tax Credit information packets are available at the Orange Downtown Alliance Offices at 130 West Main Street, Orange VA 22960.*