



GRETCHEN WHITMER
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STATE OF MICHIGAN
MICHIGAN STRATEGIC FUND
STATE HISTORIC PRESERVATION OFFICE

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PRESIDENT, MSF

State Historic Tax Credit Program PA 343 of 2020

Frequently Asked Questions

August 1, 2023

What is the State Historic Tax Credit program?

The new State Historic Tax Credit program will help support place-based projects while promoting the preservation of Michigan's historic resources. Eligible properties must be listed in the National Register of Historic Places, the State Register of Historic Sites, or be in a local historic district, and either be individually listed or contribute to a listed district. The credit has a \$5 million cap per calendar year.

How does this State Historic Tax Credit program compare to the previous historic tax credit program that Michigan offered until 2012?

This is entirely new legislation which created an entirely new program. Previous instructions, application forms, fee structures, rules, guidance, etc. do not apply to this program.

When will I be able to apply for the credits?

Applications are currently being accepted for the 2023 credits for properties in the Owner-Occupied Residential Category. Due to the volume of 2022 applications received it appears that there are enough requests to meet the program caps for the Large and Small Commercial Categories, so new applications are not being accepted at this time. Depending on the volume of applications submitted in each category, additional applications may be accepted each year. Please visit the [SHPO website](https://www.shpo.org/) for the most current program information and process updates.

What credits are available?

The credits are available as either Michigan Personal Income Tax Credits (Sec. 266a), Michigan Business Income Tax Credits (Sec. 676) or a combination thereof. In no case shall the total combined credits exceed 25% of the total qualified rehabilitation expenditures.

www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf

How do I apply for the State Historic Tax Credit?

The State Historic Tax Credit requires a three-part application. For specific information about the three application parts, read the [State Historic Tax Credit Program Rules](#). Instructions and Part 1 applications are available on the [SHPO website for open categories](#).



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State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023

Are State tax credits credit limited to only exterior work?

No. State credits are available for all capital improvements made to and within the historic resource.

Will there be a review fee associated with the State credit application process?

There is a review fee associated with each part of the State application. The fee structure was established as a part of the rulemaking process and is based on the Qualified Rehabilitation Expenses (QRE) of each project. The fee schedule is below.

	Residential	Commercial
Part 1	\$50	\$100
Part 2		
QRE \$20,000 or less	\$100	
QRE greater than \$20,000	2% of anticipated credit	
QRE \$40,000 or less		\$200
QRE greater than \$40,000		2% of anticipated credit
Part 3		
QRE \$20,000 or less	\$100	
QRE greater than \$20,000	2% of anticipated credit	
QRE \$40,000 or less		\$200
QRE greater than \$40,000		2% of anticipated credit

At what point in the review process will fees be collected?

Review fees will be collected at the time the associated application part is submitted. Applications that do not include the required fee will be incomplete until the required fee is submitted.

Are review fees refundable?

Once each part of the application is reviewed, the associated fee is non-refundable.

What happens if fee payment is returned to the MSF/SHPO for insufficient funds?

If fee payment is returned to the MSF/SHPO for insufficient funds, the associated application will be deemed incomplete until such time as a new payment is submitted and cleared by the relevant financial institution. Priority numbering for these projects will be based on the date and time the new fee is cleared by the relevant financial institution.

Will there be a State Tax Historic Tax Credit application form?

Yes, the forms and instructions are posted online.

If you submitted a 2022 online application, pdf copies of the appropriate forms will be emailed to you when your supplemental materials are requested.

State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023

Are projects with an existing approved Federal Part 2 eligible for State credits?

Projects with Federal Part 2 approvals issued before January 1, 2021 are not eligible to participate in the program.

Can I apply for the State credits retroactively?

Yes and No.

Applications for projects with NPS Part 2 approval, work carried out, or that were complete and returned to service before the effective date of the legislation (1/1/2021) will not be accepted.

An applicant may file a State Part 2 application that includes work already completed. The appropriateness of completed work will be assessed and if determined to be acceptable, the additional proposed work will be reviewed. In no case may a State Part 2 application include work that was complete more than one year before the State Part 2 application was submitted.

If you submitted a 2022 online application and indicated that you were submitting for both Parts 1 & 2, you may apply for work that was completed up to one year prior to the date your online application was submitted. If you indicated you were only submitting Part 1, the date used to calculate eligible prior work will be established by the date your Part 2 application is received by the SHPO.

Does including previous completed work affect the project timeline?

Yes. If a State Part 2 application including previously completed work is awarded a preapproval letter, the eight-year period for completion of the project will be reduced to seven years and the period to submit the State Part 3 reduced to eight years or one year after the property is returned to service, whichever occurs first.

A Part 3 application must be submitted within 1 year of the date the property is returned to service. A Part 3 will not be accepted by our office until after a Part 2 Pre-Approval letter is issued. If your application includes work that was completed more than 1 year ago, the work is no longer eligible for consideration.

How long will the review process take?

The SHPO has 120 days from receipt of a complete application to issue a determination relating to that portion of the application. SHPO will make every effort to review applications more quickly.

Are the State credits available to owner occupied residential properties?

Yes, owner occupied residential properties that meet the definition of historic resources in the Act may apply for the credits.

Who is eligible for the credits?

A *Qualified Taxpayer* with a *Certificate of Completed Work* issued after December 31, 2020 and before January 1, 2031.

State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023

Who is a *Qualified Taxpayer*?

A person who owns the property, has a long-term lease on the property or is assigned all or any portion of the credits.

What qualifies as a *Long-term Lease*? A long-term lease is defined in the legislation as being at least 27.5 years for a residential resource and 31.5 years for a nonresidential resource.

What properties qualify for the credits?

Historic Resources individually listed in or, that are located in and contribute to an historic district listed in the National Register of Historic Places, the State Register of Historic Sites, or are within a local historic district designated in accordance with [PA 169 of 1970](#).

Do properties that are individually listed on the National Register have to submit a State Part 1 application?

All projects seeking State credits must submit a State Part 1 application. Because the legislation does not specifically exempt individually listed properties from submitting a State Part 1 application, and to create equity within the program, all properties seeking State tax credits will be required to submit all three State Parts: 1, 2, and 3 of the state application.

Will requests for preliminary determinations of eligibility be accepted?

Only State Part 1 applications for properties seeking a determination that the resource is *individually eligible* for listing in the National Register of Historic Places will be accepted. State Part 1 applications seeking a preliminary determination based on contribution of the resource to a potentially eligible district will not be accepted.

How long does a project with a preliminary determination of individual eligibility have to complete the listing process?

A project with a preliminary Part 1 must complete the formal listing process before their State Part 3 applicant will be accepted. Because the State Part 3 must be submitted within nine years of the date of the pre-approval letter or within one year of when the building is returned to service, the specific timeline will vary depending on the project.

What Standards will be used to determine if proposed work is acceptable?

All proposed work will be reviewed against the guidance contained in *The Secretary of the Interior's Standards for Rehabilitation* (36CFR61); the associated interpretation and explanation found in the *Preservation Briefs Series*; the *Interpreting the Secretary of the Interior's Standards* as published by the National Park Service; and other State tax credit program guidance that may be published by the SHPO.

State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023

Are there limits on the amount of State credit a project may receive?

A Project is eligible for a credit up to 25% of the amount of Qualified Rehabilitation Expenses for the project.

There is a \$2,000,000 credit limit on any Large Commercial project impacting a specific historic resource. Small Commercial projects are defined by a maximum QRE of \$2 Million, so the maximum credit available would be \$500,000. For Owner Occupied residential projects, credits will be determined by each project's QRE, but the category has a \$1,000,000 credit limit for the category.

The limits indicated are per application, and per credit year. A property may submit additional applications in future credit years for work that is performed within the allowable time limits.

What types of work can I include in my QRE amount?

There is an IRS publication regarding QREs that you can refer to for more information on what can be included: [Rehabilitation Credit - Qualified Rehabilitation Expenditures \(QREs\) \(irs.gov\)](https://www.irs.gov/publications/p59001) You may wish to contact an accountant or tax professional to verify that your expenses qualify.

Is every project guaranteed a full 25% credit?

No. In fact, not every application is guaranteed it will receive any credit at all. Because both minimum credit caps based on project type and an overall annual cap on the total program are included in the legislation, the possibility exists that a project may receive a preapproval letter for less than a full 25% credit.

It is also possible that the work reviewed could be deemed inconsistent with the *Secretary of the Interior's Standards* and not be eligible for a credit. This is especially critical for prior work completed for which the project is applying, as it may be difficult for the applicant to revise already completed work to bring it into compliance with the standards.

How much must I spend to qualify for a credit?

For owner occupied residential historic resources the 2023 minimum expenditure is \$1,136. For all other project types, the minimum expenditure threshold is 10% of the State Equalized Value as determined by the local assessor having jurisdiction.

When must the State Part 3 application be filed?

State Part 3 for a project that receives a pre-approval letter shall be filed within nine-years of the date of the pre-approval letter or within one year of when the project is returned to service, whichever occurs first.

May a State Part 3 application request additional credits beyond those awarded in the preapproval letter?

Yes. A qualified taxpayer may request credits on their State Part 3 application equal to up to 25% of the projects actual qualified expenditures. State Part 3 applications requesting credits in excess of those specified in their preapproval letter will be added to the end of the list of priority applications awaiting credit reservations and *may* be awarded additional credit if any are available.

State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023

Are the State credits transferable?

Yes, State credits may be transferred as a certificated credit in whole or in part. The SHPO is responsible for certifying the assignment and/or reassignment of credits as a part of the project request for certification of completed work (State Part 3).

When must credit assignments be made?

All credit assignments and/or reassignments must be made in the year in which the Request for Certification of Completed Rehabilitation approval is issued on the form provided by the SHPO. Once assigned, the assignment and/or reassignment is irrevocable.

Can the State and Federal Historic credits be combined?

For income-producing properties, the State and Federal credits may be combined.

What is the relationship between the Federal and State historic tax credit program?

Revised Response

The Federal tax credit application and review process is independent from the State tax credit program. All existing IRS/NPS rules and processes remain in place and unchanged by the State program.

The State credits are semi-dependent on the Federal credits. For those projects seeking both Federal and State credits, the project's State application will be considered to have been complete on the day it was received provided that the corresponding Federal approval is issued before the end of the 120-day Stated review period. If the Federal approval is not issued within 120-days of the receipt date of the corresponding State application, the State application will then be considered to be complete on the date that the Federal determination is issued.

Is the amount of the State credits impacted by the Federal credit when combined?

No. When combined, the project may receive both the full 25% State and 20% Federal credits. (Please Note: There may be federal tax consequences associated with combining the credits. You should always discuss your specific tax circumstances with a well-qualified tax professional. The SHPO cannot give tax or legal advice.)

When are the credits claimed?

Credits are claimed after the project receives final certification of the completed work, issued by the SHPO. The taxpayer must begin claiming the credits within 5 years of the date the State Part 3 certification is issued.

What happens if the taxpayer does not begin to claim the credit within five years?

The certificate of completed work becomes invalid and the taxpayer is no longer eligible for any credit associated with that rehabilitation plan.

When can I submit another application for my property?

The office can only accept one Part 2 application per property at a time; subsequent Part 2 applications received will be deemed invalid. A Part 2 is considered open until a Part 3 determination is issued by the SHPO. After that date, an applicant can begin a new application, starting with a new Part 1.

State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023

I own a B&B (or other property where I live and also run a business). Under which category should I apply?

Unfortunately, because of the definitions in the statute, a B&B would not qualify in either category (residential or commercial). The legislation defines a residential historic resource as “a non-income producing historic resource that is owner occupied,” and a non-residential historic resource as “a nonowner-occupied, income producing historic resource.” Since a B&B is both owner occupied and income producing, it does not meet the criteria for either category.

My project only contains exterior work. Are Interior photos still required? If so, what photos are needed of the interior?

Representative interior photos do help us to understand the character, level of finish, and integrity that remains in the house. Please include a few overall room photos that show the typical details and characteristics of the house, even if all of the work is exterior.

Some work is both interior and exterior, such as windows and doors, in which case both interior and exterior photos are requested. Photos showing interior damage caused by deteriorated exterior elements (such as plaster damage from a leaky roof or standing water in a basement) are also helpful.

How should I submit my application?

All application packages must be delivered by courier or mailing service to ensure proper tracking. There is no electronic submittal portal. SHPO strongly recommends that you utilize UPS or FedEx for your submission and obtain a tracking number for your shipment. Hand delivered applications will not be accepted. Do not bring your application package to our office; it will not be accepted or reviewed.

The instructions say to send my application to zip code 48913, but the courier service autocorrects the zip code to 48933, which should I use?

48933 - This is the street address for the building. This ZIP Code is appropriate for Federal Express or United Parcel Service deliveries only.

48913 - This is the State of Michigan's unique ZIP Code and should be used if there is no P.O. Box number. If you elect to submit your application via the U.S. Postal Service, use this ZIP Code.

Can both Part 1 and Part 2 be mailed in the same envelope?

Yes

Must I include separate checks for each Part?

Yes

Must I include separate USB drives for each Part?

You may put both parts on 1 USB if sending them together.

State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023

I have already submitted a Federal Tax Credit Part 1, 2, or 3 application. Do I need to reformat my photos and detailed description of rehabilitation work on the State forms?

Please fill out the state applications up to the "State Historic Preservation Office Use Only" line. Photos and Detailed Description of Rehabilitation Work may be submitted in the Federal Tax Credit format.

What size hard copy drawings should be submitted? Do you want full size sets of construction documents (ie 24"x36" plans) or could they be printed at half-size or scaled to 11x17 pages?

Please format the digital set of drawings at full size. The printed set may be scaled to 11x17. Both sets of drawings, digital and hard copy, should be legible.

Do I have to submit hard copy photos on glossy photo paper?

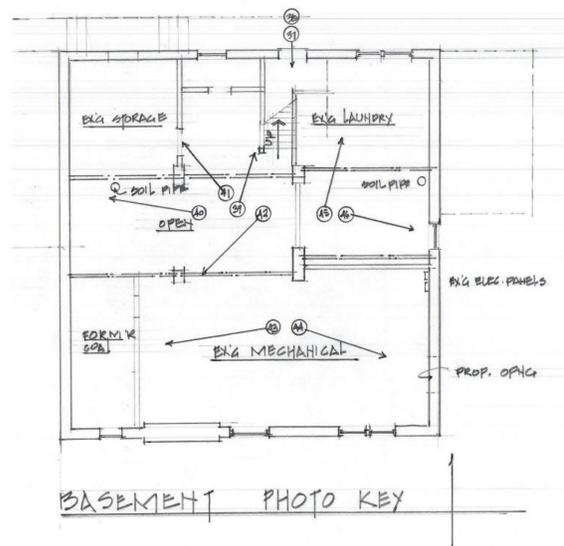
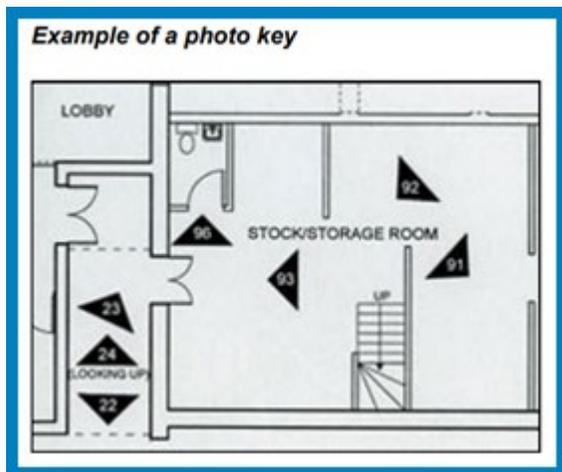
Yes. See the Instructions document Appendix A for photo format requirements.

Can I write the requested photo identification information on the back of the photo?

Please use labels to provide the information on the hard copy photos. Labels can be legibly handwritten if they are written on *before* they are attached to the photos. We have found that writing on the back of the photo can cause a depression, which raises the other side of the photo and makes it more difficult to see the details. The ink is also more likely to transfer to the front of the adjacent photo if it written directly on the glossy surface.

What is a photo key plan?

A photo key plan is a floor plan or diagram of your building, with numbers located on it corresponding to your numbered photos. The numbers should be written on the plan in the location the photographer was standing, and an arrow added to indicate the direction the photographer is looking. Below are a few examples.

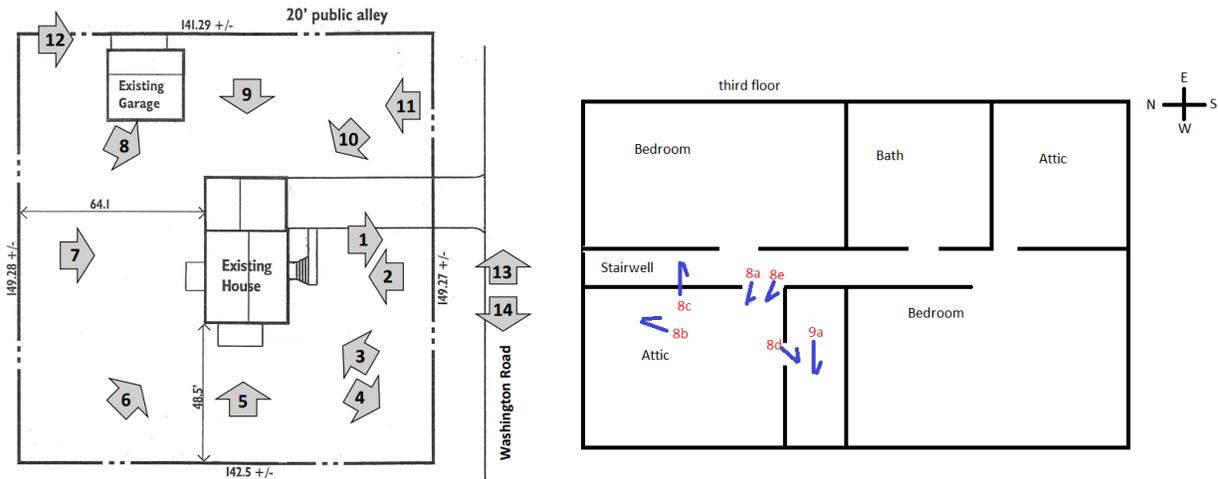


State Historic Tax Credit Program

PA 343 of 2020

Frequently Asked Questions

August 1, 2023



This document reflects the most accurate and complete answers to the various question as of the date above. As the new program unfolds some answers may be modified and new questions and answers added. Please regularly check the State Tax Credit Program pages on the State Historic Preservation Office (SHPO) website for the most up to date program information. The site can be accessed at:

<https://www.miplace.org/historic-preservation/programs-and-services/historic-preservation-tax-credits/>

We strongly recommend that you take the time to review the Public Act as it contains additional information relating to an applicant's responsibilities. The legislation is available at:

<http://www.legislature.mi.gov/documents/2019-2020/publicact/pdf/2020-PA-0343.pdf>

Questions regarding the program should be emailed to preservation@michigan.gov