

Tax Credit Frequently Asked Questions – Filling out the Application

What do I need to submit in order to get this credit?

There is a checklist at the end of the part 1, 2 and 3 applications. Additionally, there are several great checklists in our “Instructions and Guidelines”. The part 1 application checklist is on pg. 7, the part 2 application checklist is on pg. 10 and the part 3 application checklist is on pg. 12 here...

<http://www.heritage.ky.gov/NR/rdonlyres/CF36108F-E05B-42F5-8D5C-94AFF25B025D/0/KHPTCinstructions.pdf>

Additionally, when your project is complete, you will want to submit the Election of Credit form with your part 3 application.

Can I submit for both the state and federal historic tax credits?

Unfortunately only income producing properties are eligible to submit for both state and federal historic preservation tax credits. But owner occupied primary residential projects, non-profit projects, local government projects and “other” projects (like a second home) are still eligible for state credits.

Where are the state application forms?

You can find the state forms on the right side of our site here as well as our “Instructions and Guidelines”...

<http://www.heritage.ky.gov/incentives/>

Where are the federal application forms to apply?

You can find the federal forms here as well as the federal fee payment form...

<http://www.nps.gov/tps/tax-incentives/application.htm>

I am applying for both the state and federal credit. What do I send and whom do I send it to?

The good news is that you will send both the state and federal applications to us at the state and we will forward the federal application up to the Feds for you.

Even better, we have streamlined the paperwork. You will fill out the federal forms completely and then you ONLY have to fill out the first page of each of the state forms.

You will want to send us two copies of everything. Two sets of signed applications, two sets of photos, two sets of drawings, etc. This is so that one set can stay at the state office and another set can go to the Federal office.

Lastly, you will want to make sure to pay the state review fees as well as the separate federal review fees. Additionally, there is a \$25 fee for mailing your application to the federal office. This is NOT a one-time fee, this shipping fee will be incurred each time you send us information that needs to be mailed to the federal office.

Our address where you will send your application is...

KY Heritage Council

410 High Street

Frankfort, KY 40601

website: <http://www.heritage.ky.gov>

How much is the review fee?

For the state review, there are two fee scales, one for owner occupied residential projects and one for all other projects (including non-profits, second homes and local government projects). Your check or

money order must be made out to the Kentucky State Treasurer. You can find our fee schedule on page 14 of the instructions and guidelines found here...

<http://www.heritage.ky.gov/NR/rdonlyres/CF36108F-E05B-42F5-8D5C-94AFF25B025D/0/KHPTCinstructions.pdf>

If you are applying for a federal review, there is a sliding scale fee (that is separate from the state fee). The NPS will send you an email invoice on the amount you owe for the federal review along with instructions on how to pay it. Therefore it is important that you send them an email address that gets checked regularly.

Additionally, there is a \$25 fee for mailing your application to the federal office. This is NOT a one-time fee, this shipping fee will be incurred each time you send us information that needs to be mailed to the federal office.

On the Part 1 application form it asks for the "Name of property". We don't have an "official" name for the property, so what do people generally put here?

Don't worry, just skip that line. It is only for buildings that have an official historic name like "White House".

On the form, is the project contact the owner or the contractor or the architect?

The project contact is exactly what it sounds like. It is whoever you want us to call when we have questions about the project. Some owners prefer to be the center point of contact and other people prefer that someone else deal with it. But it is important for you to realize that if you select the architect or contractor to be the point person, that we are not going to be calling multiple parties to make sure you are talking to each other. If you are uncomfortable with answering questions but are concerned about everything being coordinated, there are tax credit consultants that are willing to help you. Give us a call and we can send you a list of tax credit consultants that can provide this service.

Is April 29th the deadline for submitting a project or can applications be submitted throughout the year?

Please put your application in as soon as possible. You will want your proposed scope of work to be reviewed and conditioned and this will allow you to move forward with your project confident in getting these credits. The April 29th deadline is the last day you can put your part 2 application in. If you missed our April 29th deadline, your project will shifted to the next allocation pool. Lastly, this April 29th deadline is an important date because two months later is when everyone's allocation letters go out letting you know how much money has been set aside for your project upon completion and approval.

If we haven't closed on the property by the April 29th deadline, should we list ourselves as the applicant?

If you haven't closed by that date, you still fill the form out with your information as the applicant and check the box stating that you are not the owner. You also need to attach a letter from the owner stating that they own the property (please have the full address in the letter) and that they understand that you are applying for this program and that they don't oppose the application.

Does the project have to be approved prior to beginning the project?

You do not have to be approved prior to start of work. But any work done before approval is done "at risk" and may require remediation (work undone and then redone) and could potentially be a "deal killer" if inappropriate work (work that doesn't meet the standards) can't be undone. That being said, if you found out about our program after starting work, give me a call and we can talk thru what has been done. And if you need to start some of your work immediately, you can always give me a call to talk about it.

I am a little unclear as to the timing of submission and when I would be able to claim the credit. Part 3 states the form must be submitted to the Kentucky Heritage Council upon completion of the project, but no later than January 30 of the year following the completion of the project and in the year the taxpayer intends to claim the credit. So if we get done by January 30, 2013 would the credit be eligible for 2013? The dates on that form are a bit confusing and need to be revised. Here are the important dates...

We strongly recommend that you get part 2 approval before starting your project (but this isn't a requirement)

You can submit your part 1 and part 2 application at any time but we have an April 29th deadline for our allocation pool. If you miss this deadline, your project will be in next year's allocation pool.

If you are applying for work that has already started, you are required to have at least one expenditure within the year that you are applying in.

You can take up to a year after your completion date to submit your part three application. But sooner is always better than later.

The year that you complete your project is the year that you will be able to apply these credits when you do your taxes. So if you completed your project in 2016, you would apply them to your 2016 taxes (at the beginning of 2017).

What work needs to be reviewed for approval?

All of your proposed work needs to be reviewed but some expenditures are not considered eligible expenditures. The IRS FAQ answers this in questions #22 through #25. You can find a link to it here...

<http://www.nps.gov/tps/tax-incentives/before-apply/irs-faq2.htm>

Expenditures outside of the historic building (and outbuildings like garages) still need to be reviewed and approved but are NOT eligible for these credits. Non-eligible expenditures includes new additions, the purchase price of the property, running power or water or sewer up to the building (once it enters the building, it is eligible), removal of dead trees, new landscaping or gardens, sidewalks and driveways/parking lots.

We are currently getting estimates for our various projects for the building.

The part 2 form asks for three numbers... an estimate labor cost, estimated material cost and an estimated total cost (material + labor). You don't need to submit your contractor's estimates, just let us know these totals. And after you get your estimates, you may want to consider adding a 5-20% contingency into your part 2 estimate numbers. Because we allocate our entire pool of money at one time, if your expenditures increase after we allocate money to your project, we won't be able to increase your allocation amount. Therefore it is always helpful to have a bit of cushion in your estimate.

We are only reroofing the building, so is this the only part that needs describing in the application or do we need to also mention other elements such as roof, windows, etc. I have a chronology of the improvements and repairs that have been done to the building since the 1980's. Do you want me to include this?

Anything that is part of the current scope of work (or finished work that you are claiming in this application as eligible expenses) should be described. Work done in a previous project does not need to be described. For clarity, it might be helpful to also describe areas of the building that you are not doing work in. Lastly, you will need to take before and after photos of the entire building inside and out, not just in the areas where work is occurring.

What does "adjusted basis of structure" mean?

If you are doing an owner occupied residential project, a non-profit or local government project or an “other” project (like a second home), put NA (for not applicable) and don’t worry about it. It only applies to commercial buildings that have a depreciable value. If you are doing a commercial project, the way to compute your adjusted basis is covered by question #32 of the IRS FAQ found here... and your accountant can also help you determine this.

<http://www.nps.gov/tps/tax-incentives/before-apply/irs-faq3.htm>

I am working on labeling the photos. How do I refer to these in the plans and in my description of work on the part two application?

You will put a label on the back of each photo with the name and address of the building (we need photos of each exterior wall and each room on the inside, regardless of whether work is being done in that area). You can use mailing labels like you would on a letter to save time. Then you will give each photo a unique number. Then you will key in these numbers into the existing floor plans. So if you stood on the front porch looking at the front door for photo #1, you will put the number 1 on the porch plan and have an arrowhead pointing at the front door. When you do the descriptions for the part two form, it is helpful to reference the applicable photo numbers as you describe the work (there is a place for this at the bottom of each of those description boxes).

If we submit a plan with some work undescribed, do we have to resubmit everything again?

Sometimes you won’t know what you want to do because you don’t have enough information to make a decision. When this is the case, tell us why you don’t know something and how you would like to proceed once you know more information. We will get you an approval on everything else and then ask you to fill out an amendment sheet once you have more information and can make a decision. This amendment sheet will allow you to get changes to your project reviewed and approved to give you confidence that your project will meet the standards when finished. The amendment sheet is found on the right hand side of our site here...

<http://www.heritage.ky.gov/incentives/>

If you condition us not to do something we wanted to do or told us that part of our work doesn’t meet the standards, do we have to resubmit our scope of work removing the unapproved parts?

Sometimes your proposed work doesn’t meet the standards. We try to get you complete information so that you can confidently move forward with your project. When something you propose doesn’t meet the standards, you can chose to either eliminate the unapprovable portion from your scope of work or you can propose another option that might meet the standards. When this is the case, I will be happy to discuss approvable options with you. Then you can submit an amendment sheet with a revised scope of work for approval.

I submitted my application close to the deadline. When will I hear something?

At the end of June, you will receive conditions and your state allocation. The conditions may request a re-design on certain elements or may alter your proposal by prohibiting some work or may give you guidance on how work should be done (if your scope of work is not completely clear). As long as you follow your scope of work and these conditions (and assuming that you described all proposed work so that it could be reviewed), your project will meet the standards and you will get the credit once work is completed.

What if something changes?

At any time, you can modify your scope of work and submit an amendment form (this form is in the same location that the part 1 and 2 forms are) describing your proposed change. We understand that

actual conditions in the field might be different than you thought and require changes. We also understand that sometime budget issues require a redesign and again, we understand. The amendment will get reviewed and approved (potentially with more conditions) and this lets you have assurance that your changes will meet the standards. You can call or email me at any time if you want to discuss proposed changes prior to submitting a formal amendment.

Who can I talk to more about this?

You can contact Michael Radeke at mike.radeke@ky.gov (ph. 502.564.7005 ext. 4559). We want to assist you in planning the renovations for your historic building. So feel free to call or email either of us at any time if you have any questions or need additional information or help.