

**Revenue Information Bulletin No. 14-007-A**

**June 13, 2014**

**Individual Income, Fiduciary Income, Corporate Income and Franchise Taxes**

**Louisiana Rehabilitation of Historic Structures Tax Credit  
For Projects Less Than \$500,000 of Eligible Costs and Expenses**

The Louisiana Rehabilitation of Historic Structures Tax Credit is a credit against income and corporate franchise tax for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development or a cultural district. Eligible structures must be nonresidential real property or residential rental property. (*R.S. 47:6019(A)(2)(b)*) The credit shall not exceed twenty-five percent of the eligible costs and expenses of the rehabilitation and no taxpayer, or any entity affiliated with such taxpayer, shall claim more than \$5,000,000 of credit annually for any number of structures rehabilitated within a particular downtown development or cultural district. (*R.S. 47:6019(A)(1)(a)*) The credit is earned only in the year in which the property attributable to the expenditures is placed in service. (*R.S. 47:6019(A)(1)(b)*)

After the State Historic Preservation Office (SHPO) has certified the rehabilitation, LDR Secretary may deem an application for credit approved. This Revenue Information Bulletin will set forth the guidelines for the approval of the Rehabilitation of Historic Structures Tax Credit by the SHPO and LDR for those projects that are less than \$500,000 of eligible costs and expenses.

**INITIAL DETERMINATION OF ELIGIBILITY BY THE SHPO**

The SHPO determines whether the structure, before and after the work is performed, qualifies “as contributing to the historical significance of the district.” (*R.S. 47:6019(A)(2)(a)*). That is, the SHPO determines whether work was performed on an eligible structure in accordance with the Secretary of the Interior’s Standards for Rehabilitation (i.e., is “SOI-compliant”). A project is determined to be a certified rehabilitation if the building itself meets eligibility requirements and the work is SOI-compliant.

The SHPO makes this determination through a three-part application process administered by an architectural historian.

In Part 1, the SHPO certifies whether the structure is eligible for the Program.

In Part 2, the SHPO certifies whether the work, as proposed by the Applicant, is SOI-compliant.

In Part 3, the SHPO confirms that the actual work performed by the Applicant was indeed SOI-compliant (*R.S. 47:6019(B)(2)* and 36 C.F.R. Sec. 67).

If the project is determined by SHPO to be a certified rehabilitation, the SHPO shall provide to the Applicant (with copies to LDR) an approved “Part 3 – Request for Project Certification” and an executed Section 1 of Form R-6121B.

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## APPROVING OF THE CREDIT BY LDR

The Applicant shall submit the following to LDR:

1. A certified audit report or examined cost certification prepared by an independent auditor in accordance with the guidelines set forth in Revenue Information Bulletin No. 14-007 dated February 26, 2014.
2. For those applicants whose total project cost is less than \$500,000, who choose not to provide the report listed in 1 above, the following procedures must be applied.
  - (i) The applicant must submit an Itemized Listing of all Qualified and Non-Qualified Rehabilitation Expenses (QREs) detailing all costs and eligible expenses as defined in Section 47(c)(2)(A) of the Internal Revenue Code of 1986, as amended. The itemized list must include the period during which the rehabilitation costs were incurred. Column headings for the list must include: category of work, method of payment, date paid, name of payee/contractor, description of expenditure, total amount of expenditure and amount of QREs. The LDR may demand documentation to verify whether the expenses claimed were actually “incurred” during the rehabilitation. (R.S. 47:6019(B)(1)(c)).
  - (ii) The applicant must submit an invoice for each qualified rehabilitation expenditure totaling \$2,500 and above.
  - (iii) A notarized statement attesting that the expenditures were incurred in connection with the rehabilitation of a “certified historic structure” that is properly chargeable to a capital account. These include: rehabilitation costs; construction interest and taxes; architectural and engineering fees; legal and professional fees; developer’s fees and general administrative costs.
3. Examples of expenditures that will not qualify for the rehabilitation tax credit are: acquisition costs; appliances; cabinets; carpeting (if tacked in place and not glued); demolition costs; paving and landscaping costs; marketing costs; financing fees; furniture; leasing expenses; parking lot; signage; and moving costs.
4. The itemized listing must provide a breakdown of all related party transactions as defined by the Statement of Financial Accounting Standards No. 57 and include the following:
  - The name of the related party
  - The nature of the relationship between the related party and the Applicant
  - The nature of the transaction, and
  - The amount of the transaction
  - If there are no related party transactions, a statement verifying said must be included the cost report or attached to the itemized listing.

LDR shall review the certified audit report or examined cost certification prepared by an independent auditor *or* properly notarized itemized listing of all qualified and non-qualified rehabilitation expenses. LDR may request additional documentation from the Applicant as needed. LDR will rely on the SHPO for any technical assistance during this process. This assistance includes, but is not limited to, interpretations of SOI standards for rehabilitation.

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After all supporting documentation is received and approved, LDR shall complete and provide to the Applicant Section 2 of Form R-6121B, confirming the certified amount of the tax credit earned by the Applicant.

#### **CLAIMING OR TRANSFERRING THE CREDIT (APPLICANT)**

LDR's normal procedures apply, including new requirements in accordance with the Louisiana Tax Credit Registry Act and RIB 14-005.

#### **REGULAR TAXPAYER AUDIT (LDR)**

LDR reserves its right to audit any credit claimed or transferred for fraud, error, or other matters of compliance. SHPO will provide technical assistance to LDR at LDR's request.

#### **INSTRUCTION FOR SUBMISSION OF REQUIRED INFORMATION**

The required information should be submitted to LDR's Economic Development Unit at the address provided below. Electronic Submission of spreadsheet and all documents is preferred. An electronic submission of a spreadsheet with links to backup documentation will result in faster processing time. Any other questions concerning the claiming of this credit should also be directed to this unit.

Office Audit  
Attn: Economic Development Unit  
P.O. Box 66362  
Baton Rouge, LA 70896-6362  
Telephone: 225.219.2270

If you have questions regarding the application process administered by the State Historic Preservation Office, contact the Office of Historic Preservation.

Office of Historic Preservation  
P.O. Box 44247  
Baton Rouge, LA 70804  
Telephone: 225.342.8160  
Facsimile: 225.219.9772

Tim Barfield  
Secretary

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