

REVENUE INFORMATION BULLETIN

NO. 14-007

February 26, 2014

Individual Income, Fiduciary Income, Corporate Income and Franchise Taxes

*Louisiana Rehabilitation of Historic Structures Tax Credit*

Act 418 of the 2013 Regular Session enacted the Louisiana Tax Credit Registry Act to establish a central tax credit registry within the Department of Revenue for the registration and recordation of transferable tax credits granted, issued and authorized by the state. The Louisiana Rehabilitation of Historic Structures Tax Credit is one of several tax credit programs that the Department of Revenue (LDR) will be required to track in the Registry. This credit is allowed for the 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 for purposes of the Registry. This Revenue Information Bulletin will set forth the guidelines for the recordation and approval of the Rehabilitation of Historic Structures Tax Credit by the SHPO and LDR.

**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 I of Form R-6121B.

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If the project is determined by SHPO to be a certified rehabilitation, the SHPO shall provide to the owner of the historic structure (the "Applicant") (with copies to LDR) an approved "Part 3 – Request for Certification of Completed Work" and an executed Section I of Form R-6121B.

#### 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, which report and auditor meet the following minimum qualifications as set forth by LDR.
  - (i) The auditor must be a Certified Public Accountant licensed in the State of Louisiana and must be an independent third party not related to the Applicant.
  - (ii) The auditor's opinion must be addressed to the party which has engaged the auditor, but may expressly permit others to rely on the same.
  - (iii) The name of the auditor's firm, address, and telephone number must be evident on the report.
  - (iv) The auditor's opinion must be dated no earlier than the completion of the audit fieldwork.
  - (v) The certified audit report or examined cost certification must be performed in accordance with auditing standards set forth by the American Institute of Certified Public Accountants, and the auditor must have sufficient knowledge of accounting principles and the Secretary of the Interior's Standards for Rehabilitation.
  - (vi) The period during which qualified rehabilitation costs were incurred must be noted.
  - (vii) The certified audit report or examined cost certification must provide a breakdown of all related party transactions (as defined by the accounting standards), 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, the cost report must include a note to that effect.
  - (viii) The certified audit report or examined cost certification of qualified rehabilitation expenditures must be conducted in accordance with auditing standards set forth by the American Institute of Certified Public Accountants. The auditor's opinion should be accompanied by the cost report of qualified rehabilitation expenditures, the notes to the cost report, and a completed CPA Certification Form.
2. The tax credit registry fee, if any, charged by LDR.

LDR shall review the certified audit report or examined cost certification and 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.

R.S. 47:6019(A)(1)(a) provides, "There shall be a credit against income and corporation franchise tax for the amount of eligible costs and expenses incurred during the rehabilitation of a historic structure located in a downtown development district or a cultural district." The LDR has the right to demand

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documentation to verify whether the expenses claimed were actually “incurred” during the rehabilitation. (R.S. 47:6019(B)(1)(c)).

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.

#### **QUESTIONS OR CONCERNS**

Please direct your questions concerning the Tax Credit Registry or claiming this credit on a return to LDR’s Economic Development 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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