



Leesburg

APPENDIX C:
FEDERAL, STATE, AND
LOCAL INCENTIVES



1. State and Federal Tax Credits

If you are undertaking a major rehabilitation of a historic building in either a Virginia Landmark or National Register Historic District, you may be eligible for certain tax credits. These credits may be used to reduce your income tax liability dollar-for-dollar.

To be eligible for the tax credits under either the state or federal program, you must file an application with the Virginia Department of Historic Resources (VDHR) before the work begins and follow *The Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings* found Appendix A.

VDHR reviews your entire project including proposed changes to the exterior and interior as well as the design of any additions. Qualifying project expenses under both the state and federal programs include most approved work related to the rehabilitation of the building and associated architectural, engineering, project management and developer fees. Additions and other new construction are not eligible expenses.

If you are interested in either or both of these programs, consult your accountant and/or attorney before you begin your project to determine if the credits may be beneficial to you.

Both programs also require that the project be completed within two years, unless it is pre-approved as a phased project with a timeline of five years or less.

a. Virginia Program

The State credit is 25% of qualifying expenses for either owner-occupied or income-producing properties. For a property to qualify for the program, it must either be individually listed in the Virginia Landmarks Register, be deemed eligible for such listing, or contribute to a listed historic district.

The owner investment required to meet the state's definition of a material rehabilitation for an owner-occupied structure must be at least 25% of the assessed value of the building for local real estate tax purposes in the previous year.

For income-producing structures, an investment of at least 50% of the assessed value of the building for local real estate tax purposes in the previous year is required.

Unlike the Federal program described below, some site work may be counted as a qualifying expense. The state income tax credits may be carried forward for up to ten years with no carryback. Once the project is complete and you have certified that it was carried out as approved and received the credits, the property may be sold without penalty.

b. Federal Program

The Federal credit is 20% of qualifying expenses for the rehabilitation of income-producing properties and requires that the property be listed on the National Register of Historic Places either individually or as a contributing building in a listed historic district.

As defined by the National Park Service who oversees this program, a substantial rehabilitation requires an investment in the building equal to or greater than the building's purchase price minus the land value and any claimed depreciation, plus the value of any earlier capital improvements (adjusted basis).

The Federal tax credits may be carried forward 20 years and carried back for one year. The Federal program requires that the owner of the building receiving the credits retains ownership for five years.

2. Local Incentives

Plaques: The Loudoun County Restoration and Preservation Society (LRPS) administers the Leesburg Historical Plaque Program on behalf of the town. Eligibility requirements are available from the LRPS website: www.preserveloudoun.org and uses the same criteria used by the National Park Service for the evaluation of the placement of properties on the National Register of Historic Places.