



What are Historic Rehabilitation Tax Credits?

The Federal Rehabilitation Tax Credit and the Massachusetts Historic Rehabilitation Tax Credit provide a financial incentive for private sector investment in the rehabilitation of historic buildings. While the two programs are fully separate, developers will often seek out both tax credits in order to make a rehabilitation project financially feasible. These credits can be sold by the developers to investors, thereby providing funding for project construction.

The Federal Rehabilitation Tax Credit program provides a 20% income tax credit to developers of income producing properties. The Massachusetts Historic Rehabilitation Tax Credit allows an income-producing property to receive up to 20% of the cost of certified rehabilitation expenditures in state tax credits.

While there is no cap at the federal level, the state tax credits have an annual cap. The cap is currently \$55 million. This results in a competitive application process for the state tax credits. While project review for both takes place at the Massachusetts Historical Commission, the programs are independent. For the federal historic rehabilitation tax credits, the National Park Service partners with the Massachusetts Historical Commission, with final certification for the federal tax credits completed by the National Park Service.

Rehabilitation projects commonly funded through federal and state tax credits are vacant or underutilized industrial buildings, surplus school buildings, religious buildings, and multi-family housing. Re-uses include affordable and market rate housing, retail establishments, restaurants, health centers, performing arts centers, office and medical spaces and mixed-use developments.

History, Standards, & Timing

The federal tax credit was established in 1976 while the state tax credit became available, more recently, in 2004. Both have been used extensively throughout Massachusetts and the Berkshire region.

All projects receiving tax credits must be consistent with the National Park Service Secretary of the Interior Standards for Rehabilitation. These Standards seek to recognize that alterations to historic properties are necessary when buildings are undergoing an adaptive re-use. However, those alterations must be balanced with preserving significant aspects of the historic structures.

While application for the federal tax credits can be submitted at any time, the state tax credit has three application rounds each year.

BRPC PROGRAMS

Community Planning Program
Economic Development Program

berkshireplanning.org/programs

Benefits of State and Federal Tax Rehabilitation Tax Credits

The historic rehabilitation tax credits provide an opportunity for the private sector to initiate investment in community revitalization. While projects are underway, rehabilitation projects provide substantial local design and construction jobs.

For those rehabilitation projects that convert buildings to residential use, new housing units become available. The units often fill a critical housing need for those wanting modest living spaces, such as smaller households and senior citizens. In downtown areas, additional housing units can provide additional foot traffic for nearby retail, dining, and entertainment venues.

Vacant or underutilized buildings that may have previously provided little in municipal tax revenue now offer additional revenue as a rehabilitated building. Many buildings rehabilitated with federal and state tax credits are historically significant and hold deep meaning to community members. With a new use, these important buildings remain part of the community.

State and Federal Tax Credits in Practice

The Federal and State Historic Rehabilitation Tax Credits have facilitated the rehabilitation of many buildings in Berkshire County in communities such as Lee, North Adams, and Pittsfield.

Lee

The Baird and Benton Block, located in downtown Lee, used both federal and state tax credits to revitalize this multi-story building that includes office space upstairs and retail spaces at the street level.

North Adams

The Clark Biscuit Apartments utilized not only state and federal historic rehabilitation tax credits but low-income housing tax credits as well. The adaptively re-used building now contains 42 housing units.

Pittsfield

Consisting of several former industrial buildings, the Rice Silk Mill was converted to residential use, made possible by state and federal historic rehabilitation tax credits.

Williamstown

Cable Mills utilized state and federal rehabilitation tax credits to convert a multi-story vacant industrial building to 61 units of housing, both affordable and market rate.

Utilizing State and Federal Historic Rehabilitation Tax Credits

While utilizing tax credits is initiated by the private sector, those local officials, interested in understanding how large scale vacant and underutilized historic buildings can be redeveloped should have a basic understanding of the tax credit process.

Sample Projects



Baird and Benton Block, Lee



Clark Biscuit, North Adams



Rice Silk Mill, Pittsfield



Cable Mills, Williamstown