

The Maryland Historical Trust  
*Heritage Structure Rehabilitation Tax Credit*

## **HOMEOWNER APPLICATION INSTRUCTIONS**

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Maryland's Heritage Structure Rehabilitation Tax Credit provides funds in the form of an income tax credit for repair or renovation work on historic single-family, owner-occupied homes. This document provides instructions for completing each part of the three-part Homeowner Tax Credit Application. The Maryland Historical Trust (MHT) oversees the certification of historic structures and rehabilitation projects, and the awarding of tax credits.

## About the Application

The homeowner tax credit includes a three-part application process. The **Part 1 Application** allows MHT to determine whether a home qualifies as a certified historic structure. The **Part 2 Application** is for MHT to evaluate whether the homeowner's proposed rehabilitation work meets applicable rehabilitation standards and thus is eligible for the credit. Lastly, the **Part 3 Application** certifies that the rehabilitation work was completed as approved by MHT in Part 2 and verifies claimed expenses.

Part 1 and Part 2 Applications may be submitted separately and at any time, although submitting Parts 1 and 2 together will expedite review. Part 1 must be submitted before Part 2 because Part 2 cannot be processed until the home is certified as a historic structure (unless the property is already individually listed in the National Register of Historic Places).

MHT approval of applications and amendments to applications is conveyed in writing by authorized MHT officials. MHT certification decisions are based on descriptions in application forms. If a discrepancy occurs between an application form and other submitted materials (architectural plans, photographs, drawings or specifications), the application forms shall take precedence. Originals or copies of photographs, architectural plans, drawings and other materials submitted with an application become the property of MHT and may be reproduced without permission. The applicant is responsible for complying with all federal, state and local laws applicable to a project, including, but not limited to, compliance with local zoning, building and safety codes, review by local historic preservation commissions, and compliance with applicable federal, state, and local licensing, permitting and environmental requirements. To qualify for the tax credit, property owners must complete the Homeowner Application and the Homeowner Application Checklists.

# Historic Preservation Certifications

State income tax credits are available for a “certified rehabilitation” of a “certified historic structure.”

**Certified rehabilitation** is restoration, repair or rehabilitation work undertaken on a certified historic structure:

- Within a 24-month period (selected by the property owner), once approval for the work has been granted by MHT,
- Where expenditures exceed \$5,000, not including expenses that are funded or reimbursed by state or local grants, other Maryland tax credits or state or local financial assistance other than a loan,
- That is in compliance with a rehabilitation plan (see Part 2) that has been approved by MHT; and
- Conforms with the Secretary of the Interior’s Standards for Rehabilitation.

**Certified Historic Structure** is at least one of the following:

- Individually listed in the National Register of Historic Places (see [www.nps.gov/nr/](http://www.nps.gov/nr/))
- A contributing resource within a National Register Historic District
- A locally designated structure or contributing resource to a local historic district that MHT determines to be eligible for the National Register

## Completing the Application

The applications may be completed electronically with Adobe Acrobat Reader. To download the application form, right click the link and select “save link as.” You must save the PDF on your computer to open it. It cannot be opened in a web browser. Please type or print clearly. Illegible applications will be returned. If adequate documentation is not provided, the application will be put on hold until adequate documentation is submitted. Print and mail the completed application form and supplemental materials. (Be sure to print a copy for your records.) Applications may not be submitted by e-mail.

# Part 1 – Evaluation of Significance

Part 1 of the Tax Credit Application is used to determine whether a property is a “certified historic structure” (see page 2). Owners of properties that are individually listed in the National Register of Historic Places do not need to complete Part 1. For verification of National Register listing, contact MHT staff or visit [mht.maryland.gov/nr/index.html](http://mht.maryland.gov/nr/index.html)

To determine if a structure contributes to the significance of a listed or designated historic district, MHT will apply the Secretary of the Interior’s Criteria for Evaluating Significance within Registered Historic Districts.

## Criteria for Evaluating Significance

A structure contributes to the historic significance of a district if its location, design, setting, materials, workmanship, feeling and association adds to the district’s sense of time, place and historical development.

A structure does not contribute to the historic significance of a district if it does not add to the district’s sense of time, place and historical development; or if its location, design, setting, materials, workmanship, feeling or association have been so altered or deteriorated that the overall integrity of the property has been irretrievably lost.

Ordinarily, a structure built within the past 50 years may not be considered to contribute to the significance of a district, unless a strong justification concerning its historical or architectural merit is given or the historical attributes of the district are considered to be less than 50 years old.

Based on documentation provided in Part 1, MHT may issue a certification of non-significance. Certification of non-significance is a judgment that a structure does not contribute to the significance of a National Register or local district, or to a group of structures individually listed in the National Register or under local law, and therefore is not eligible to receive a tax credit under this state program.

Any substantial damage or alteration to a property that occurs after certification under Part 1 and prior to completion and certification under Part 3 must be reported promptly to MHT. Part 1 certifications are valid for five years, after which a new Part 1 must be submitted for any subsequent rehabilitations of the same structure.

# Completing Part 1

## Application form

This page must be completely filled out and bear the original signature of at least one property owner. If the applicant is not the fee-simple owner of the property, the application must include a written statement from the fee-simple owner that s/he is aware of the application and has no objection to the request for certification.

MHT will notify applicants of incomplete applications or those lacking an original signature and will place them on hold for 30 days until completed. After that, the application, if not completed, will be returned to the applicant without review or denied.

You must check on the form that the property has at least one of the following designations:

- National Register historic district
- National Register individual listing
- Local historic district
- Local individual listing
- Pending National Register or local designation (individual or district)

Properties that are located in historic districts must be certified by MHT to be contributing resources, as explained above.

For local individual listings, a certification request must include a copy of the official local designation notification letter and any documentation that justifies the designation so MHT can determine whether the property is eligible for listing in the National Register. If submitting as a pending National Register district, applicants must include a copy of the draft nomination.

### Description of Physical Appearance

Provide information about the current condition of the home's major exterior and interior features. Note the architectural style, exterior construction materials (wood, brick, etc.), type of roof (flat, gabled, hipped, etc.), number of stories, basic plan (rectangular, irregular, L-shaped, etc.), and distinguishing architectural features.

Fully describe any changes made to the home since its construction, such as additions, porch enclosures, relocation of doors and windows, or interior alterations. Include a full description of other structures located on the property such as carriage houses, barns and sheds. (See Special Considerations: Multiple Structures on page 6.) In most instances detailed research should not be necessary to provide an adequate description.

**Example:** This two-story, gable-roofed, unpainted brick house, rectangular in shape, was constructed in 1921. It features regularly spaced window openings on the first and second floors, 6-over-6 double-hung sash windows and a columned entry portico. On the interior, the first floor is divided by a hall with a staircase and living and dining rooms on either side. The kitchen and butler's pantry are located in the rear. The second floor contains four bedrooms and two bathrooms. There is a garage at the rear of the property that was built at the same time as the house.

## Statement of Significance

If the home is located within a historic district, briefly describe the way in which it relates to buildings in the district in terms of setting, scale, material, construction and age. Note any important people associated with the home, its former uses, or the name of the architect or builder, if known. Again, detailed research should not be necessary.

**Example:** The district is an intact grouping of architecturally significant late 19th and early 20th century brick row houses. This building is a traditional row house featuring flat brick facades with refined decoration at the doors, windows and cornice. The structure is similar to its neighbors in size, scale, building materials and style.

## Attachments

### Photographs

Interior and exterior photos showing the entire property before rehabilitation, including those areas where no work is anticipated, must be submitted with the application. (See Photographic Requirements on page 13 for instructions on preparing and labeling photographs.)

### Map

If located in a historic district, provide an official historic district map defining the boundaries of the historic district, and mark where the structure is located. Maps of National Register Historic Districts are available at [mht.maryland.gov](http://mht.maryland.gov). Maps of locally designated historic districts are available from your local historic district commission or government.

**Fees** There is no fee for processing a Part 1 Application.

### Mandatory Application Checklist

Complete, date and sign the Part 1 Homeowner Application Checklist and submit it with the application. Applications submitted without a checklist will not be accepted.

## Special Considerations

If the property falls into one of the following categories, additional information may be necessary. Provide this information with the Part 1 materials to avoid processing delays.

### Moved Structures

If a home has been moved from the site of its original construction, or is intended to be moved, a Part 1 applicant must provide additional documentation establishing the:

- effect of the move on the structure's appearance (any proposed demolition, change to the foundation, etc.);
- setting and general environment of the new or proposed site;
- effect of the move on the distinctive historic and visual character of the district or neighborhood to which the structure was or will be moved; and
- method of moving the structure.

Documentation must also include photos showing the current and previous (or proposed) environments, including adjacent structures and streetscapes.

## **Properties Less Than 50 Years Old**

Properties less than 50 years old are generally not considered as contributing to the significance of a National Register or local district. However, such homes may be certified as historic structures if: 1) they are integral parts of an eligible historic district and the historical attributes of the district are less than 50 years old, or 2) they are exceptionally significant. If this consideration applies, provide documentation relevant to establishing one or both of these conditions.

## **Multiple Structures**

Functionally and historically related structures on a single property, such as a residence and carriage house, will be considered a single structure under a Part 1 application. Thus, only one Part 1 application need be submitted. However, documentation, including photos and a statement of significance, must be included for every structure impacted by a contemplated rehabilitation project, and the applicant should state which structures the applicant is submitting for certification as a historic structure. A sketch map or site plan should be provided showing the current relationship of all structures.

If structures are under separate ownership, each owner must submit a separate Part 1 Application.

# Part 2 - Description of Rehabilitation Work

A Part 2 rehabilitation plan must be approved and the application certified by MHT prior to the commencement of any of the contemplated rehabilitation work.

Proposed rehabilitation projects are evaluated for conformance with the Secretary of the Interior's Standards for Rehabilitation. These 10 standards are broadly worded to guide the repair, restoration or rehabilitation of all historic structures, including homes. The standards focus on preservation of significant historic materials and features of structures and apply to both interior and exterior work.

MHT reviews a rehabilitation project in context with all work proposed for the property, including if there is to be any attached or related new construction. Certification is based upon whether the overall project is consistent with the standards.

Upon review, MHT will notify an applicant in writing whether the proposed rehabilitation project is consistent with the standards. If inconsistent, MHT will, to the extent practicable, advise the applicant how the plans might be revised to achieve conformity.

## Completing Part 2

### Application Form

This page must be completely filled out and bear the original signature of at least one property owner. If the applicant is not the fee-simple owner of the property, the application must include a written statement from the owner that s/he is aware of the application and has no objection to the request for certification.

Incomplete applications or those missing an original signature will be placed on hold for 30 days until completed. After that, the application, if not completed, will be returned to the applicant without review or denied.

### Estimated Qualified Rehabilitation Expenditures (QRE)

QRE are expenditures, up to \$250,000, eligible for tax credits, such as:

- Roof repair and replacement
- Chimney repair and lining
- Window restoration
- New storm doors/windows
- Masonry repointing
- Floor refinishing
- Structural repairs
- Plumbing, electrical and mechanical systems
- Architectural/ engineering/ consulting fees
- Tool/equipment rental
- Repair of historic outbuildings

Examples of expenses not eligible as QRE include:

- Landscaping
- Sidewalks, patios, driveways
- Non-historic outbuildings
- Appliances
- New construction
- Carpeting over historic flooring
- Curtains, blinds, rugs or other interior décor
- Tool/equipment purchases
- Work that is primarily remodeling in nature
- Pest control, chimney cleaning, drain cleaning, etc.

Ineligible expenses must be subtracted from expenditure calculations for the estimated and final QRE. Insurance reimbursements, state/local grants and other state tax credits must be subtracted. Federal funding, such as federal energy tax credits and local historic property tax credits, do not need to be subtracted.

### **Detailed Description of Rehabilitation Work**

Describe all work to be undertaken on the property, not just the work for which the tax credit will be sought. Describe site work, exterior work, any new construction, and proposed interior work.

Each feature for which work is proposed should be addressed in a separately numbered work item in the application, as provided. First, describe the current condition of the feature. Second, describe the proposed work and impact. Reference by number relevant photographs or drawings where applicable.

## **EXAMPLE OF REHABILITATION DESCRIPTION**

**Number 1      Architectural feature: façade brick      Approximate date of feature: 1920**

Describe existing feature and its condition:

Hard pressed red brick with butter joints in good condition. Mortar mostly sound, but deteriorated and missing around downspouts at east-end of façade.

Photo no. 3, 6      Drawing no. n/a

Describe work and impact on existing feature:

Will selectively hand clean deteriorated joints and repoint with mortar and joint width to match existing (see mortar specifications).

## **Attachments**

### **Photographs**

Interior and exterior photos must be submitted showing the entire property before rehabilitation, including those areas where no work is contemplated. (See Photographic Requirements on page 13 for instructions on preparing and labeling photographs.)

### **Drawings or sketches**

Submit drawings or sketches to show all proposed alterations (such as moving a wall) and new construction. Drawings/sketches must show existing configurations and anticipated changes. Include floor plans and, where necessary, sections and elevations. All drawings and sketches submitted with the application should be numbered and correlated to the application narrative.

### **Specifications**

In some cases, you may need to attach a product manufacturer's cut sheet or specifications for items such as windows, doors or roofing material.

### **Fees**

The Part 2 application fee is \$10. Make personal checks payable to the Maryland Historical Trust. MHT's review of Part 2 application will not begin until the fee has been paid.

## **Mandatory Application Checklist**

Complete, date and sign the Part 2 Homeowner Application Checklist and submit it with the application. Applications submitted without a checklist will not be accepted.

## **Notice of MHT Determination**

Notice of approval or denial of a Part 2 Application will be made in writing to the applicant by MHT.

## **Amendments**

If a change must be made to a scope of work approved by MHT under Part 2, the applicant may request approval for the change by submitting an Amendment form. The Amendment form is a separate form available for download on the MHT website. Photographs, drawings and specifications should be attached as needed, and any proposed changes must be reviewed and approved by MHT prior to commencing work.

## **Special Rehabilitation Concerns**

Each historic structure is unique, and therefore rehabilitation projects often involve areas of special concern that MHT must review and evaluate in considering qualification for a tax credit. For technical assistance in preparing a rehabilitation project, see "Interpreting the Standards" at [nps.gov/history/hps/tps/tax/](https://www.nps.gov/history/hps/tps/tax/). Homeowners should pay particular attention when undertaking work in any of the areas described below.

### **New HVAC Systems**

Indicate the impact that new heating, ventilation and air conditioning (HVAC) equipment and ductwork will have on historic building materials. Installation of systems that cause damage to the historic materials or visible loss of character may not be certified.

### **Replacement Windows**

Owners are strongly encouraged to retain and repair historic windows. Indicate the condition of existing windows (sash, glazing, muntins, etc.) and the reasons for considering replacement. Detailed photographs must be provided to document deterioration. Where replacement of existing windows appears justified by supporting documentation, the replacement sash should match the original in material, size, pane configuration, trim details, and planar and reflective qualities.

Provide scaled drawings comparing the existing windows to the replacement windows. Where historic windows are missing or have been inappropriately replaced, new windows must be of a style appropriate to the period of significance of the historic building or district. New windows may be based on historic documentation (e.g. historic photos or photos of other buildings of the same period). The use of replacement windows that change the building's character may result in denial of certification.

### **Interior Partition Alteration and Plaster Removal**

Indicate the existing interior condition, document with photographs and identify walls that are to be altered or removed. Owners are strongly discouraged from changing floor plans unnecessarily, removing repairable historic plaster, or exposing masonry surfaces, unless the change is supported by historical evidence.

## Exterior Masonry Repair

Indicate deteriorated areas that require repair and provide evidence that repointed mortar will match the original in composition (e.g., ratio of lime, cement, sand, and any additives), color, texture and tooling. Owners are encouraged to only repoint those portions of masonry that require repair.

## New Additions and New Construction

New exterior additions may alter the appearance and form of historic structures and may not be certified. Similarly, new construction, including site work, may change the relationship of a structure to its site, alter the historic landscape, or otherwise damage the historic character of the property or the district. Applicants are strongly encouraged to plan additions that are compatible with the historic materials, features, size, scale and massing of the property and its environment.

## Remodeling Only

For guidance, consult "Questions About Qualifying Rehabilitation Work" in the **Frequently Asked Questions (FAQs)**, a separate document found on MHT's website.

## Part 3 – Certification of Completed Work

A rehabilitation project is not eligible for the Heritage Structure Rehabilitation tax credit until it is certified by MHT. Upon completion of the rehabilitation, the owner must submit a Part 3 Application with required documentation. Completed projects may be inspected by an MHT representative to determine if the completed work meets the Secretary of the Interior's Standards for Rehabilitation.

### Application Form

This page must be completely filled out and bear the original signatures and social security numbers of all owners. Use additional space on page 2, if necessary. Incomplete applications or those missing original signatures will be held for 30 days until completed. After that, the application, if not completed, will be returned to the applicant without review or denied.

### Pending Listing

If the Part 1 certification request was for a pending National Register listing or local designation, provide verification of the final listing or designation. Verification may include a copy of the letter from the National Register of Historic Places or the local government confirming that the property, or the district within which the property is located, has been listed/designated.

### Project Timeline

Provide the dates (M/D/Y) when the project started and was completed. Only expenditures incurred within a 24 month period may qualify for the tax credit. The start of the 24 month period is typically the project start date or the date of payment for pre-rehabilitation "soft" costs (e.g. consultant fees, architectural fees, deposits, etc.).

### Accounting of Itemized Expenses

A written accounting of all project expenses, organized chronologically and with supporting documentation, must be submitted with your Part 3 application. MHT strongly recommends that, to facilitate our review of your application, you should use the Part 3 Itemized Expense Sheet provided on our website. This spreadsheet must be filled out according to the Part 3 Itemized Expense Sheet Instructions, with eligible and ineligible expenses clearly delineated. For each item on the spreadsheet you must include (1) a copy of the invoice or receipt, showing which goods or services were purchased, and (2) certifiable proof of payment, which may consist of one of the following:

1. A dated credit card receipt
2. A cancelled check
3. A bank statement showing the check number, date, payee name, and amount
4. A signed statement from the contractor or vendor stating the amount paid (an invoice simply marked "PAID" or \$0 balance is not sufficient).

Please submit copies of the proof of payment with sensitive information and account numbers redacted or blacked out for security purposes.

The Part 3 Itemized Expense Sheet Instructions contain an example spreadsheet that shows how your expenses must be broken down and itemized for the purposes of calculating your qualified rehabilitation expenditures for the tax credit program. The instructions and a blank spreadsheet for you to fill out can be downloaded from MHT's website.

Please note that separate blank spreadsheet templates, and separate instructions, are provided for buildings which are strictly homeowner-occupied and for buildings which are mixed-use, i.e. have an income-producing component.

## Calculation of Qualified Rehabilitation Expenditures (QRE)

The Part 3 Itemized Expense Sheet Instructions will guide you in filling out the spreadsheet and calculating your Qualified Rehabilitation Expenditures. The spreadsheet allows you to break down all expenditures into eligible costs, ineligible costs, and (in the case of mixed-use properties) calculate eligible shared costs. Ineligible funding sources such as insurance reimbursement funds are then subtracted from the total eligible costs to arrive at the QRE for the project, 20 percent of which, up to a maximum of \$50,000, is the tax credit for the project.

### Mixed-Use Properties

QRE for projects involving structures that are single-family, owner-occupied residential but include a portion that is income-producing must be calculated as follows:

- Expenses for rehabilitation of interior spaces that are exclusively owner-occupied residential are 100% eligible.
- Expenses for rehabilitation of interior spaces that are exclusively income-producing are 100% ineligible.
- Expenses for rehabilitation of interior spaces that are shared between owner-occupied residential and income-producing uses must be prorated; eligible costs are calculated based upon percentage of the square footage of the building that is exclusively owner-occupied residential.
- Expenses for shared infrastructure and systems including roof, exterior walls, windows, HVAC, and electrical system must be prorated; eligible costs are calculated based upon percentage of the square footage of the building that is exclusively owner-occupied residential.

### Final Review Fee

A Part 3 Application fee is required for application review. Make personal checks payable to the Maryland Historical Trust in an amount calculated in accordance with the following fee schedule:

**For Part 2 applications received by MHT between July 1, 2007 and June 30, 2011**

**Fee = 1% of tax credit amount**

**For Part 2 applications received by MHT after June 30, 2011**

**Fee = 3% of tax credit amount based on the Estimated or Final Total Qualified Rehabilitation Expenditures, whichever is greater, minus the \$10 Part 2 Application fee.**

### Photographs

Interior and exterior photographs must be submitted showing the entire property after completion of the rehabilitation, including those areas where no work was undertaken. (See Photographic Requirements on page 13 for instructions on preparing and labeling photographs.)

## Mandatory Application Checklist

Complete, date and sign the Part 3 Tax Credit Application Checklist and submit with the application.

## Claiming the Credit

Applicants must claim the credit for the taxable year in which the rehabilitation project was completed. Maryland tax form 502S must be completed and submitted with your state income tax return along with the approved MHT Certification Application (Part 3). The 502S form is available at [taxes.marylandtaxes.com](https://taxes.marylandtaxes.com)

## Credit Recapture

If disqualifying work is undertaken on the property within five years of claiming the credit, a portion of the credit must be recaptured as follows.

YEAR SINCE CREDIT CLAIMED	CREDIT RECAPTURE
1	100%
2	80%
3	60%
4	40%
5	20%
	0%

# Photographic Requirements

The following photographic requirements must be followed.

## Part 1

Include photographs of the building site and immediate surroundings (i.e. landscaping, etc.), all sides of the building, all major interior spaces and features, and representative secondary spaces, e.g. basements or bathrooms. Sides that are partially blocked by adjacent structures or trees may require photographs taken from several different angles or locations for complete documentation. Photographs of interior spaces should be taken with a wide angle from diagonally opposite corners of the room.

This baseline photo documentation is necessary for MHT to evaluate the historic and/or architectural significance of a structure and the effect of proposed changes on the structure's significance. It also enables MHT to verify that no additional work is completed without prior review and approval. MHT must approve all work on the property. Insufficient photo documentation of exterior or interior features may delay assessment or result in a denial.

## Part 2

If submitting Parts 1 and 2 together, only one set of baseline photographs is necessary. However, if an applicant was not required to submit Part 1 (applies to individually listed NR properties or if a Part 1 was certified in the past five years), baseline photo submission is required as part of the Part 2 Application

In addition to the Part 1 baseline photographs, Part 2 applications must include photographs of areas of proposed work. Detailed close-up photographs of architectural features affected by the proposed rehabilitation, such as windows, doors, balustrades, trim, etc., may be needed. In some cases, it may be helpful to mark directly on the photographs the areas of proposed work. Submitting representative photographs of multiple features, such as windows, is acceptable, provided that the photographs adequately capture conditions throughout the structure.

## Part 3

Photographs taken of the completed rehabilitation should depict the same views as the pre-rehabilitation photographs submitted with Parts 1 and 2, including for those areas where no work was undertaken. A side-by-side comparison of pre-rehabilitation and post-rehabilitation photographs is part of MHT's certification assessment.

# Labeling of Photographs

On the back of all submitted photographs include the sequential photograph number (that should be used for reference in the application narrative), the photo date, the property address, the view (e.g., east elevation), and a brief description of what is shown, as follows:

**Photo# 5**

**12/5/2012**

**311 Maple Street  
Annapolis, 21401**

**East façade- deteriorated brick and windows before rehabilitation**

Color photographs must be printed on 4" x 6" photo paper. Photocopies of photographs will not be accepted. Stack all photos in order and secure with a rubber band or clip. Please do not mount, tape, glue or otherwise secure photographs to the application.

## Questions?

**Still not sure how to submit? Contact Bonnie Baden:  
[bonnie.baden@maryland.gov](mailto:bonnie.baden@maryland.gov) or (410) 514-7628.**