

Wisconsin Department of Revenue

Name

Identifying Number

**Part I Supplement to Federal Historic Rehabilitation Tax Credit**

<b>1</b> Enter adjusted basis in the building on the first day of the rehabilitation period . . . . .	<b>1</b>
<b>2a</b> Check the box to indicate the election chosen (Note: You must claim the credit at the same time as for federal purposes):  <input type="checkbox"/> This credit is claimed based on when the rehabilitation work was completed. <input type="checkbox"/> This credit is claimed based on when the expenditures are paid. Enter the total qualifying expenditures incurred on the project to date: _____ .	
<b>2b</b> Enter the qualified rehabilitation expenditures on which the credit is computed for the current taxable year . . . . .	<b>2b</b>
<b>3</b> Enter 5% of amount on line 2b . . . . .	<b>3</b>
<b>4</b> Enter historic rehabilitation credit passed through from other entities . . . . .	<b>4</b>
<b>5</b> Add lines 3 and 4. This is your 2011 credit . . . . .	<b>5</b>
<b>5a</b> Fiduciaries - enter the amount of credit allocated to beneficiaries . . . . .	<b>5a</b>
<b>5b</b> Fiduciaries - subtract line 5a from line 5 . . . . .	<b>5b</b>
<b>6</b> Carryover of unused supplement to the federal historic rehabilitation tax credit . . . . .	<b>6</b>
<b>7</b> Add lines 5 and 6 (lines 5b and 6 if fiduciary). This is the available supplement to the federal historic rehabilitation tax credit . . . . .	<b>7</b>

**Part II State Historic Rehabilitation Credit – Individuals Only**

<b>8a</b> Check the box to indicate the election chosen:  <input type="checkbox"/> This credit is claimed based on when the rehabilitation work was completed. <input type="checkbox"/> This credit is claimed based on when the costs are paid. Enter the total qualifying costs incurred on the project to date: _____ .	
<b>8b</b> Enter the qualified preservation costs on which the credit is computed for the current taxable year . .	<b>8b</b>
<b>9</b> Enter 25% of amount on line 8b, but not more than \$10,000 (\$5,000 if married filing a separate return)	<b>9</b>
<b>10</b> Carryover of unused state historic rehabilitation credit . . . . .	<b>10</b>
<b>11</b> Add lines 9 and 10. This is the available state historic rehabilitation credit . . . . .	<b>11</b>

**Instructions for 2011**

**Schedule HR**

**General Instructions**

**Purpose of Schedule HR**

Use Schedule HR to claim a credit for preserving or rehabilitating historic property located in Wisconsin. Two Wisconsin historic preservation credits are available: (1) a supplement to the federal historic rehabilitation tax credit for rehabilitating certified historic structures used for business purposes and (2) a state historic rehabilitation credit, available only to individuals, for preserving or rehabilitating an owner-occupied personal residence that doesn't qualify for the supplement to the federal credit.

The Wisconsin Historical Society administers the historic preservation program. For more information, visit the Historical Society's web site at [www.wisconsinhistory.org/hp/architecture/index.asp](http://www.wisconsinhistory.org/hp/architecture/index.asp), write to the Division of Historic Preservation, Wisconsin Historical Society, 816 State Street, Madison, WI 53706-1417, or call (608) 264-6490.

**Caution: Alternative Minimum Tax**

As a result of claiming historic rehabilitation credits, individuals may be subject to Wisconsin's alternative minimum tax. For information about computing the credit carryforward, see Wisconsin Tax Bulletin 98 (July 1996), page 29, which can be found on the Department's web site at [www.revenue.wi.gov/ise/wtb/098tr.pdf](http://www.revenue.wi.gov/ise/wtb/098tr.pdf).

**Date a Project Is Begun**

The date a project is "begun" is the date on which the physical work of rehabilitation begins. The physical work of rehabilitation doesn't include preliminary activities such as planning, designing, securing financing, exploring, researching, developing plans and specifications, or stabilizing a building to prevent deterioration, such as placing boards over broken windows.

**Adjustment to Basis**

If you qualify for the supplement to the federal historic rehabilitation tax credit, you must add the qualified rehabilitation expenditures to the basis of the building and depreciate them by the straight-line method. In addition, you must subtract the amount of credit computed from the basis of the building.

If you qualify for the state historic rehabilitation credit, you must decrease the basis of the property by the amount of credit computed.

### Carryover of Unused Credits

The historic rehabilitation credits are nonrefundable. Any unused credits may be carried forward for 15 years. If there is a reorganization of a corporation claiming historic rehabilitation credits, the limitations provided by IRC section 383 may apply to the carryover of any unused credits.

### Recovery of Credits

In cases where the Wisconsin Historical Society later determines that the claimant hasn't complied with all of the requirements for the state historic rehabilitation credit, the Department of Revenue may recover all or a portion of the credit.

## Specific Instructions

### Part I – Supplement to the Federal Historic Rehabilitation Tax Credit

To qualify for the supplement to the federal historic rehabilitation tax credit, you must meet the following requirements:

- a. You must own (or, in certain cases, lease) a building that is listed in the National Register of Historic Places or that is determined to be historic and will be listed in the National Register.
- b. You must use the building for the production of income, such as commercial, industrial, or residential rental purposes. The building must be depreciable property that is either nonresidential rental property, residential rental property, or real property with a class life of more than 12.5 years. If only part of the building qualifies, only the rehabilitation expenditures allocable to the qualified portion may be used to figure the credit.
- c. You must substantially rehabilitate the building. A building is considered to be substantially rehabilitated if your qualified rehabilitation expenditures are more than the greater of \$5,000 or your adjusted basis in the building. The expenditure test must be met within a 24-month (or, for phased rehabilitation projects, a 60-month) period that you select and that ends with or within your taxable year. Figure your adjusted basis on the first day of the 24-month or 60-month rehabilitation period.

"Qualified rehabilitation expenditures" are amounts incurred that must be capitalized and added to the basis of the building rather than deducted. Qualified expenditures don't include any amount being depreciated under an accelerated method, the cost of acquiring the building itself or any interest in the building, or any expense incurred for the enlargement of an existing building.

- d. You must design and carry out the work in accordance with the "Secretary of the Interior's Standards for Rehabilitation."
- e. You must formally apply to the National Park Service, through the Wisconsin Historical Society, for certification of your project, and the Secretary of the Interior must approve the project. **Caution:** The physical work of construction, or destruction in preparation for construction, cannot begin until the State Historic Preservation Officer recommends the project to the Secretary of the Interior for approval or the Secretary of the Interior approves the project, whichever is earlier.

**Line 1.** Enter the adjusted basis of the building on the first day of the 24-month or 60-month rehabilitation period.

**Line 2a.** Check the box to indicate whether you are electing to claim this credit based on when the rehabilitation work is completed or when the expenditures are paid. If you are claiming the credit based on when the expenditures are paid, enter the total amount of qualified rehabilitation expenditures paid on the project to date. **Important limitation:** You cannot elect to claim the Wisconsin supplement to the federal historic rehabilitation credit in a different taxable year than you are claiming the federal historic rehabilitation credit.

**Line 2b.** Fill in the amount of qualified rehabilitation expenditures you are including in the credit computation for the current taxable year, based on the election you indicated on line 2a. If you are claiming the credit based on when the rehabilitation work is completed, fill in the total qualified rehabilitation expenditures for the project. If you are claiming the credit based on when the expenditures are paid, only fill in the qualified rehabilitation expenditures paid during the taxable year.

**Caution:** If your total qualified rehabilitation expenditures during the 24-month or 60-month rehabilitation period aren't more than the greater of \$5,000 or your adjusted basis in the building, you don't qualify for this credit.

**Line 4.** Enter the amount of credit passed through from partnerships and LLCs treated as partnerships, as shown on Schedule 3K-1; tax-option (S) corporations, as shown on Schedule 5K-1; and estates or trusts, as shown on Schedule 2K-1.

**Line 5.** Add lines 3 and 4. This is the total current year supplement to the federal historical rehabilitation credit.

**Line 5a. *Fiduciaries only*** – Prorate the credit from line 5 between the entity and its beneficiaries in proportion to the income allocable to each. Show the beneficiaries' portion of the credit on line 5a. Show the credit for each beneficiary on Schedule 2K-1.

**Line 5b. *Fiduciaries only*** – Subtract line 5a from line 5. This is the estate's or trust's portion of the credit.

**Line 7.**

**Individuals:** Enter the amount of credit from line 7 on line 23 of Form 1 or line 49 of Form 1NPR.

**Estates and Trusts:** Enter the amount of credit from line 7 on line 7 of Form 2.

**Tax-Option (S) Corporations:** Prorate the credit on line 7 among the shareholders based on their ownership interests. Show the credit for each shareholder on Schedule 5K-1.

**Partnership and LLCs Treated as Partnerships:** Prorate the credit line 7 among the partners or members based on their ownership interest or you may allocate the credit among the partners or members as provided in a written agreement. Show the credit for each partner or member on Schedule 3K-1.

**Corporations:** Enter the amount of credit from line 7 on line 47 of Schedule CR. If the claimant is a combined group member, enter the amount of credit on Form 4M instead of Schedule CR.

**Required attachments:** You must file with Schedule HR a copy of the final certification of completed work from the National Park Service. For properties not yet listed in the National Register of Historic Places, include a copy of the signed letter from the National Park Service certifying that the completed rehabilitation meets the "Secretary of the Interior's Standards for Rehabilitation." If you haven't received the final certification by the time the tax return is filed, include a copy of the "Historic Preservation Certification Application (Part 2 - Description of Rehabilitation)." Include a copy of the final certification of completed work to the first income or franchise tax return filed after receipt of the final certification along with an explanation of the amount and the years in which the credit was claimed. If the credit is passed through from a partnership, LLC treated as a partnership, tax-option (S) corporation, estate, or trust, include a copy of your Schedule 3K-1, 5K-1, or 2K-1 instead of the final certification.

If the credit of a partnership or LLC treated as a partnership is allocated as provided in a written agreement, the partnership or LLC must also attach a copy of the agreement to its partnership return (Wisconsin Form 3), and each partner or member receiving the credit must attach a copy of the agreement to the return on which they claim the credit.

## Part II – State Historic Rehabilitation Credit – Individuals Only

To qualify for the state historic rehabilitation credit, you must meet the following requirements:

- a. You must own and occupy as your personal residence property that is listed, or eligible to be listed, in the National or State Register of Historic Places or is located in a historic district which is listed in the National or State Register and is certified by the State Historic Preservation Officer as being of historical significance to the district. Included are outbuildings that contribute to the historic significance of the property.
- b. The residence, including outbuildings, can't be used in a trade or business, held for the production of income, or held for sale or other disposition in the ordinary course of your trade or business.

If you use part of your home for income-producing activities, you may be able to claim the credit for the portion that is your personal residence. See Wisconsin Tax Bulletin 86 (April 1994), page 22, which can be found at [www.revenue.wi.gov/ise/wtb/086tr.pdf](http://www.revenue.wi.gov/ise/wtb/086tr.pdf), for more information.

- c. Your qualified preservation costs during the 2-year (or, for phased preservation projects, the 5-year) period beginning with the date on which the physical work of rehabilitation begins must be more than \$10,000. If property is used for both business and personal purposes, the qualified preservation costs relating to the personal residence portion of the property must be more than \$10,000. The costs must be incurred after the Wisconsin Historical Society has approved your proposed preservation or rehabilitation plan.

In order to qualify, your costs must relate only to preservation or rehabilitation work done to (1) the exterior of the historic property, (2) the interior of a window sash if work is done to the exterior of the window sash, (3) structural elements of the property, (4) the heating or ventilating system, or (5) electrical or plumbing systems, but not electrical or plumbing fixtures.

In addition, you may claim architectural fees and costs incurred in preparing nomination forms for listing in the National or State Register of Historic Places, if the nomination is made within 5 years before submission of your preservation or rehabilitation plan to the Wisconsin Historical Society. Qualified costs don't include the costs of acquiring the building itself, or any interest in the building, or any expense incurred for the enlargement of an existing building.

- d. You must design and carry out the work in accordance with the "Secretary of the Interior's Standards for Rehabilitation."
- e. You must complete the preservation or rehabilitation work within 2 years (5 years for a project that is initially planned for completion in phases).
- f. The State Historic Preservation Officer must certify that the completed project substantially complies with the previously approved plan.
- g. You can't claim a credit for rehabilitating a personal residence if you acquired the property under an agreement requiring you to sell or return the property to the previous owner within 5 years.

**Line 8a.** Check the box to indicate whether you are electing to claim this credit based on when the rehabilitation work is completed or when the costs are paid. If you are claiming the credit based on when the costs are paid, enter the total amount of qualified preservation costs paid on the project to date.

**Line 8b.** Fill in the amount of qualified rehabilitation costs you are including in the credit computation for the current taxable year, based on the election you indicated on line 8a. If you are claiming the credit based on when the rehabilitation work is completed, fill in the total qualified rehabilitation costs for the project. If you are claiming the credit based on when the costs are paid, only fill in the qualified rehabilitation costs paid during the taxable year.

**Caution:** If your total qualified rehabilitation costs during the 2-year or 5-year period beginning with the date on which the physical rehabilitation work begins aren't more than \$10,000, you don't qualify for this credit.

**Line 9.** Enter 25% of the amount on line 8b, but not more than \$10,000 (\$5,000 if you are married and file a separate return). The maximum credit available for any preservation or rehabilitation project is \$10,000 (\$5,000 if you are married and file a separate return).

**Line 10.** Enter any unused state historic rehabilitation credit carried over from prior years.

**Line 11.** Enter the amount of credit from line 11 on line 23 of Form 1 or line 49 of Form 1NPR.

**Required attachments:** After the work is completed, you must file with Schedule HR a copy of the final certification of completed work from the Wisconsin Historical Society. For projects not yet completed, include a copy of the approved "Historic Preservation Certification Application – Part 2."