

**404A.2 Amount of credit.**

1. The amount of the credit equals twenty-five percent of the qualified rehabilitation costs made to eligible property.

a. In the case of commercial property, rehabilitation costs must equal at least fifty percent of the assessed value of the property, excluding the land, prior to the rehabilitation.

b. In the case of residential property or barns, the rehabilitation costs must equal at least twenty-five thousand dollars or twenty-five percent of the assessed value, excluding the land, prior to the rehabilitation, whichever is less.

c. In computing the tax credit for eligible property that is classified as residential or as commercial with multifamily residential units, the rehabilitation costs used shall not exceed one hundred thousand dollars per residential unit.

d. In computing the tax credit, the only costs which may be included are the qualified rehabilitation costs incurred between the period ending on the project completion date and beginning on the date two years prior to the project completion date, provided that any qualified rehabilitation costs incurred prior to the date of approval of the project as provided in [section 404A.3](#) must be qualified rehabilitation expenditures under the federal rehabilitation credit in section 47 of the Internal Revenue Code.

2. For purposes of [this chapter](#), qualified rehabilitation costs include amounts if they are properly includable in computing the basis for tax purposes of the eligible property.

a. Amounts treated as an expense and deducted in the tax year in which they are paid or incurred and amounts that are otherwise not added to the basis for tax purposes of the eligible property are not qualified rehabilitation costs.

b. Amounts incurred for architectural and engineering fees, site survey fees, legal expenses, insurance premiums, development fees, and other construction-related costs are qualified rehabilitation costs to the extent they are added to the basis for tax purposes of the eligible property.

c. Costs of sidewalks, parking lots, and landscaping do not constitute qualified rehabilitation costs.

3. For purposes of individual and corporate income taxes and the franchise tax, the increase in the basis of the rehabilitated property that would otherwise result from the qualified rehabilitation costs shall be reduced by the amount of the credit computed under [this chapter](#).

2000 Acts, ch 1194, §4, 20; 2002 Acts, ch 1003, §2, 5; 2004 Acts, ch 1175, §250, 287; 2009 Acts, ch 98, §1