
FISCAL TOPICS

Fiscal Services Division

October 22, 2021



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

Tax Credit: Historic Preservation Tax Credit

The Historic Preservation Tax Credit is administered by the Iowa Economic Development Authority (IEDA) and the Iowa Department of Cultural Affairs (IDCA). This credit provides a 25.0% tax credit for qualified expenditures incurred during the substantial rehabilitation of eligible historic properties in Iowa. To qualify, the property or district must meet any of the following criteria:

- The property is listed on the National Register of Historic Places, or is eligible for such a listing.
- The property is designated as having historic significance to a district listed in the National Register of Historic Places, or is eligible for this designation.
- The property or district is designated as a local landmark by a city or county ordinance.
- The property is a barn constructed before 1937.

Substantial rehabilitation of commercial property involves rehabilitation expenditures equaling at least \$50,000 or 50.0% of the assessed value of the property prior to rehabilitation (excluding the value of the land). For residential property or barns, rehabilitation expenditures must equal at least \$25,000 or 25.0% of the property's assessed value prior to rehabilitation.

Tax Credit Background

- Enacting Legislation: 2000 Iowa Acts, chapter [1194](#) (Income and Property Taxes — Credits, Deductions, and Exemptions Act)
- Iowa Code Citations:
 - Chapter [404A](#) — Program Description
 - Section [422.11D](#) — Individual Income Tax
 - Section [422.33\(10\)](#) — Corporate Income Tax
 - Section [422.60\(4\)](#) — Franchise Tax
 - Section [432.12A](#) — Insurance Premium Tax
- Administrative State Agencies: IDCA, IEDA, Iowa Department of Revenue
- Sunset Date: None
- Transferable: Yes
- Refundable: Yes
- Carryforward: Yes, if taxpayer elects to claim the tax credit as nonrefundable.
- Tax Review Committee Review Year: 2024

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/reports?term_node_tid_depth=79

Department of Revenue Tax Credit Review: tax.iowa.gov/sites/default/files/2020-01/Historic%20Preservation%202019.pdf

Department of Revenue Tax Credit Users' Manual: tax.iowa.gov/sites/default/files/2020-11/TaxCreditsUsersManual2020.pdf

Legislative Services Agency Individual Income Tax Guide:
www.legis.iowa.gov/docs/publications/LG/711304.pdf

LSA Staff Contact: Lora Vargason (515.725.2249) lora.vargason@legis.iowa.gov

Legislative History

The Historic Preservation Tax Credit program went into effect on July 1, 2000, with a program cap of \$2.4 million and was originally named the Property Rehabilitation Tax Credit. Funding for FY 2005 and FY 2006 was increased \$500,000 for projects located in Cultural and Entertainment Districts (CED). Effective July 1, 2005, the amount of funding for CEDs increased to \$6.4 million per fiscal year and the program was renamed the Historic Preservation and Cultural and Entertainment District Tax Credit. Funding was increased to \$10.0 million for FY 2008, \$15.0 million for FY 2009, and \$20.0 million for FY 2010. For the awarded credits each fiscal year, 10.0% was designated for projects with a cost of less than \$500,000 and 40.0% was designated for projects located in a CED or a location that had entered into an Iowa Great Places agreement. The tax credit was also made refundable.

Effective July 1, 2009, the amount of funding was increased to \$50.0 million for FY 2010 and subsequent years. New funding streams for disaster recovery projects and projects involving the creation of more than 500 new permanent jobs were also added. Beginning FY 2012, the maximum amount of tax credits that may be awarded was reduced to \$45.0 million. During the 2013 Legislative Session, the definition of substantial rehabilitation of commercial property was changed to include rehabilitation costs equal to \$50,000 or 50.0% of the assessed value, whichever is less. The category of property that previously included residential property and barns was expanded to include any property other than commercial property. The placed into service date was extended and the definition of a small project for which 10.0% of the dollar amount of the annual tax credit awards must be reserved was increased from \$500,000 to \$750,000.

During the 2014 Legislative Session, the program was largely rewritten. All separate funds were eliminated except for small projects. Beginning with FY 2017, the amount of tax credits specified in agreements signed with registered projects is less than the maximum aggregate tax credit award limit, and up to 10.0% of the total cap may be carried forward to the succeeding fiscal year. The completion period was reduced to 36 months, and as part of the application process, projects are rated on readiness and preservation characteristics, eliminating the lottery system used previously.

Effective August 15, 2016, administrative oversight of the program was transferred from the IDCA to the IEDA, with the IEDA consulting with the IDCA during the application process. The program name was changed to the Historic Preservation Tax Credit.

Tax Credit Review, Usage, and Future Liability

The following is based on a Department of Revenue (IDR) [study](#) of the Historic Preservation Tax Credit released in December 2019.

Historic Preservation Tax Credit Claims by Tax Type				
Tax Type	Number of Claims	Total Claims	Percentage of Total Claims	Average Claim
Individual Income Tax	744	\$ 69,670,850	21.5%	\$ 93,644
Corporate Income Tax	230	129,335,700	39.9%	562,329
Franchise Tax	144	100,350,389	30.9%	696,878
Insurance Premium Tax	41	24,949,212	7.7%	608,517
Total	1,159	\$ 324,306,151	100.0%	

Source: Iowa Department of Revenue, Tax Research and Program Analysis Section
As of December 2019

The IDR reports on the annual credit usage for the Historic Preservation Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of the report, the following table and graph provide credit redemption history and projections for the Historic Preservation Tax Credit on a fiscal year basis. The blue bars of the graph indicate the actual credit redemptions, while the red bars are the IDR projections of future redemptions.

Historic Preservation Tax Credit History			
* Projected			
Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2007	\$ 722,945	FY 2017	\$ 43,540,191
FY 2008	8,045,432	FY 2018	60,239,484
FY 2009	7,241,428	FY 2019	36,727,477
FY 2010	7,262,757	FY 2020	55,431,333
FY 2011	23,800,162	FY 2021	28,528,983
FY 2012	29,525,450	FY 2022*	37,994,518
FY 2013	21,408,923	FY 2023*	40,359,928
FY 2014	33,781,754	FY 2024*	42,593,029
FY 2015	20,573,764	FY 2025*	42,426,030
FY 2016	27,588,327	FY 2026*	38,674,192

