

## GUIDELINES FOR ELIGIBLE EXPENSES FOR STATE INCOME TAX CREDIT

Preservation means the act or process of applying measures to sustain the existing form, integrity, and material of a historic building, structure, object, or landscape. Rehabilitation means the act or process of returning a property to a state of utility through repair or alteration which makes possible an efficient contemporary use while preserving those portions or features of the property which are significant to its historical, architectural, and cultural values. Restoration accurately depicts a property at a particular period in its history.

The purpose of these guidelines is to clarify the eligibility of certain costs of restoration, rehabilitation, or preservation and to further define ordinary and necessary costs associated with such projects. Such guidelines shall provide for a consistent review of projects. The work items described herein do not constitute an exhaustive list. Please contact the Historic Preservation Division for clarification. These guidelines shall give specific clarification to Section 7-2-18.2 and 7-2A-8.6 NMSA 1978 and NMAC 4.10.9.

Proposed projects may include eligible and ineligible work expenses, but all work on the property undertaken during the 24-month project approval period must be described in a Part 1 or amendment application and must meet program standards. **Failure to meet Cultural Properties Review Committee (CPRC) approval conditions or making alterations to the project that have not been approved by the CPRC and do not meet program standards will result in the loss of credit for all work.**

### THE FOLLOWING GENERAL CATEGORIES ARE TYPES OF PROJECT COSTS THAT GENERALLY COUNT TOWARD CREDIT UNDER THE GUIDELINES:

- In-kind roof replacement due to deterioration caused by weathering or accident, or corrective measures to alter drainage runoff adversely affecting the structure
- Foundation repair due to structural weakness, settling, cracking, mortar loss, or drainage problems
- Utility repair or replacement when out of code compliance or where conditions are such that the historic fabric will be adversely affected if corrective measures are not taken (e.g., broken water pipe and faulty wiring)
- Structural replacement or repair due to weather, wear, accident, or weakened structural support
- Repair of historic architectural elements, such as doors, windows, stairs, and interior trim

### SOME SPECIFIC EXPENSES THAT MAY COUNT TOWARD CREDIT UNDER THE GUIDELINES:

- Architectural, engineering, and planning services
- Inspection reports, such as structural conditions or environmental inspections
- Sampling and analyses of materials
- Building permits and fees
- Abatement programs (e.g., for asbestos and lead-based paint)
- Energy conservation measures like (interior) insulation that is reversible (i.e., no sprayfoam) or storm windows that do not adversely affect the historic appearance and character of the property
- Equipment rental necessary for a project (e.g., tools, machinery, and portable toilets)
- Purchase of tools where the life expectancy of the tool is no longer than the project (e.g., brushes and drop cloths)
- Upgrade of utilities and connections to meet current codes, including plumbing, mechanical (HVAC) and electrical insofar as the effects on the historic character of the property are minimized
- Necessary alterations for code or A.D.A. requirements when they are pre-approved by the CPRC and meet the program standards
- Gross receipts taxes for eligible work
- Replacement of character-defining historic features only when they are deteriorated beyond repair and

documented as such

- In these cases, replacements are to match the old features in design and, where possible, materials.
- Contract labor and materials (without mark-ups) with adequate supporting documentation, but not salary, wages, or fees paid to the owner or family member for performing work
- Replacement or repair of documented historic landscaping features (statuary, decorative planting, trees, terraces, walkways, walls, etc.)
  - These items must be called out in the State or National Register nomination as significant or contributing elements to the historic character of the property and/or district.
- Re-stuccoing, provided a traditional cementitious stucco is used
- Work on a shared property or building in proportion to the applicant's ownership (e.g., shared garages, townhouses, and condominiums)
- Purchase of a State Register of Cultural Properties plaque when included in a substantive project
- Unusual and unforeseen costs as determined by the CPRC on a case-by-case basis

In addition, the following specific costs may be eligible for businesses (partnerships, proprietorships, and corporations) when a bid has been provided, and the cost is part of a contract that is related to the project. Contracts for program projects shall be submitted with a Part 2 application.

- Accounting fees and office supplies
- Gasoline and automobile reimbursement
- Profit and overhead, except when the business is the property owner (i.e., "in-house" projects)

**THE FOLLOWING GENERAL CATEGORIES ARE TYPES OF PROJECT COSTS THAT DO NOT COUNT TOWARD CREDIT UNDER THE GUIDELINES:**

- Routine maintenance, cleaning, painting, minor repairs, and general periodic upkeep
  - Routine and periodic painting, except when part of eligible rehabilitation work, shall be the responsibility of the owner and shall not be considered for credit.
- Interior furnishings or fixtures, unless they are historic elements documented as original to the building that require preservation techniques to restore them to a functional condition
- Partition removal, alterations, additions, and changes to floor plans (aka remodeling), unless it is demonstrated that such a change is necessary to provide structural strength to an otherwise unaltered building, meets program standards, and is approved by the CPRC
- Modification to, or replacement of, historic building materials that does not meet the program standards.
- Construction of new additions or repairs to additions built after the property's/district's period of significance per the State or National Register nomination
  - Repairs to additions to the original structure constructed prior to the property's listing in the State Register might be eligible for credit but may need to be evaluated by the CPRC to ensure they date to the period of significance.
- Construction of outbuildings or repairs to outbuildings not considered to be contributing to the property or district in the State or National Register nomination or, when unclear, by the CPRC
- Upgrades to structures related to terms of sale or rental of property, unless historic building material is involved and the work is pre-approved by the CPRC
- Replacement of repairable character-defining historic features (as per program standards), such as windows and doors
- Introduction of conjectural or undocumented "historic" elements or those from other buildings

**SOME SPECIFIC EXPENSES THAT DO NOT COUNT TOWARD CREDIT UNDER THE GUIDELINES:**

- Architectural, engineering, and planning services for new construction, additions to a historic structure built after the property's/district's period of significance, or work on outbuildings not identified as contributing to the property or district within the State or National Register nomination or, when unclear, by the CPRC
- Landscaping, unless the landscaping is significant and is noted in the State or National Register nomination
  - Seasonal or periodic tree or vegetation trimming or clearing is considered maintenance and is

not eligible.

- Interior furnishings or fixtures, including wall coverings, furniture, floor coverings and carpeting, window coverings, linens, and accessories, unless they are replicating historic material documented as original to the building
- Work on, or damage to, a different (i.e., adjacent) property, even if it pertains directly to an approved project
  - Credit may be claimed for project work on a shared property or building in proportion to the applicant's ownership.
- Purchase of tools when the life expectancy of the tool is longer than the project (e.g., ladders, drills, and saws)
- Security systems and lighting
- Light fixtures, except for the repair of existing historic items or exact replication of historic fixtures documented as original to the building
- Exterior lighting
- Kitchen appliances and accessories, except for the repair of existing historic appliances or replacement of historic accessories supported with documentation
- New kitchen or bath cabinets and counters, unless replicating missing features documented to have been historic
- Meals or food
- Memberships to discount stores (e.g., Costco or Sam's Club)
- All acquisitions costs (e.g., surveys, appraisals, and legal fees)
- Property damaged or stolen from a project site
- Work performed by the owner or family member

## HISTORIC PRESERVATION DIVISION POLICY ON COST DOCUMENTATION

Please take into account the following policies when you are beginning your tax credit project. We recommend that you set up a plan for your project's financial records at the beginning of the project. Costs will be deleted from the total eligible expenditures for undocumented expenses, including cash payments. **Remember**, this program deals directly with state tax dollars. Reporting approximate or rounded costs on application forms or accompanying documentation is not acceptable.

At the end of your project, you will be asked to provide the following documentation:

- Copies of final invoices or receipts from contractors, tradespeople or vendors, with a New Mexico CRS-1 tax identification number. They must indicate the correct address of the property where the project occurred and must be dated within the project approval period. If the business or vendor does not have a CRS-1, then the receipt or final invoice must clearly delineate the name, address, daytime phone number and social security number for the owner of the business, trades person or vendor. The Division may, at its discretion, request copies of 1099s or W-2 forms issued to employees of the applicant. Receipts or final invoices must include dollar amounts and dates paid.

Invoices/receipts **must** be accompanied by one of the following:

- Copies of cancelled checks—You may obscure private information, such as your account number and other irrelevant information.
- Copies of bank statement(s)—The statement must clearly show your name, the check number, amount, and date it cleared the bank. You may obscure private information, such as your account number and other irrelevant information.
- Copies of credit card statement(s)—The statement must clearly show your name and amount. An expenditure will be considered incurred on the date the charge is posted to the account, even though the credit card bill may be paid by the applicant in the following year. You may obscure private information, such as your account number and other irrelevant information.

For all the above, the check or charge amount must match the invoice/receipt or, if items that are not part of an approved project or are not approved eligible expenses, and are included within the check or charge, those items must be set apart in some type of itemization and be excluded from the total costs claimed. Checks and charges must be dated within the project approval period. Checks and charges may not be made out to cash.

All invoices, receipts, and checks must show that the work was performed on the appropriate project and within the approval period. The approval period is 24 months (two years), beginning on the date of Part 1 approval (not any amendments) by the Cultural Properties Review Committee (CPRC).

When a project includes additional allowable work that is not approved as eligible for the tax credit, the project documentation must clearly differentiate the eligible and non-eligible expenses, including proportionate amounts of gross receipts tax. If it does not do so, the documentation will be returned to the applicant for clarification.