New York State Department of Taxation and Finance

2012

Instructions for Form IT-237

Claim for Historic Homeownership Rehabilitation Credit

IT-237-I

Temporary deferral of certain tax credits

For tax years beginning on or after January 1, 2010, and before January 1, 2013, if the total amount of certain credits that you may use to reduce your tax or have refunded to you is greater than $2 million, the excess over $2 million must be deferred to, and used or refunded in, tax years beginning on or after January 1, 2013. For more information about the credit deferral, see Form IT-500, *Income Tax Credit Deferral*.

If you are subject to the credit deferral, you must complete all credit forms without regard to the deferral. However, the credit amount that is transferred to your tax return to be applied against your tax due or to be refunded to you may be reduced. Follow the instructions for Form IT-500 to determine the amounts to enter on your tax return.

General information

What is the historic homeownership rehabilitation credit, and how do I qualify?

You may be able to claim a credit on your New York State income tax return for expenditures paid or incurred, for the rehabilitation of a historic home located in New York State (NYS). To be eligible, you must own **and** reside in the historic home in the year for which you claim the credit.

The credit is administered by the New York State Office of Parks, Recreation and Historic Preservation (OPRHP). To qualify for the credit, the rehabilitation plan for exterior work on the qualified historic home must be certified by a local landmark commission established under section 96-a or section 119-dd of the General Municipal Law or by OPRHP. If the rehabilitation plan includes both interior and exterior work, the plan must be certified by OPRHP or by a local government established under section 101(c)(1) of the National Historic Preservation Act.

For more information, see *Definitions* on the back.

How much is the credit?

The credit is equal to 20% of the *qualified rehabilitation expenditures*. The maximum credit you may claim is $50,000 per year (plus any carryover from a preceding year). If you are married and both you and your spouse are eligible to claim the credit, you may each claim up to $50,000, whether you file joint or separate returns.

If your New York adjusted gross income (NYAGI) for the tax year is:

- $60,000 or less and the amount of the credit exceeds your tax for the year, any excess will be refunded without interest; or
- more than $60,000 and the amount of the credit exceeds your tax for the year, you may carry the excess over to the following tax year or years.

You will have to recapture all or a portion of the credit you previously claimed if you move out of the qualified historic home before the end of a two-year period that begins on the later of (1) the date the final certification was issued, or (2) the date you purchased the qualified historic home.

For more information, see *Part 3* on the back.

How do I claim the credit?

Claim the credit using Form IT-237 for the year in which you receive the *Certificate of Completion (COC)* from OPRHP, or the year in which you purchased and resided in a qualified historic home that has been rehabilitated. File Form IT-237 with your personal income tax return, Form IT-201 or Form IT-203.

If two or more people (other than a married couple) own a building **and** use it as their residence, the expenditures as shown on the COC are deemed to be paid or incurred based on each owner's share of ownership in the home. Each taxpayer must file his or her own Form IT-237.

Married taxpayers — A married couple may divide the amount of the credit equally or in any other manner they choose. File a single Form IT-237 if you are married and filing a joint return; file separate Forms IT-237 if you are married filing separate returns.

Specific instructions

Part 1 — Property information and computation of credit

Schedule B — Computation of credit

Column A — If you (or you and your spouse) reside in the qualified historic home and are the sole owner(s) of the home, enter 100% of the expenditures you paid or incurred as shown on the COC.

If you (or you and your spouse) share ownership of the qualified historic home with one or more individuals, but you (or you and your spouse) are the **only owner(s) that reside(s) there**, enter the expenditures as shown on the COC that were paid or incurred by you.

Example: *Peter Smith and Paul Jones equally own a certified historic home. Peter resides in the home but Paul does not. Qualified rehabilitation expenses incurred total $120,000. Peter Smith paid $100,000 of the expenses. Peter would enter $100,000 in column A of his Form IT-237. Paul Jones would not be eligible to claim the $20,000 of expenses paid or incurred by him since he does not reside in the home.*

If you (or you and your spouse) reside in the qualified historic home along with other owners of the home, the expenditures as shown on the COC are deemed to be paid or incurred based on each owner's share of ownership in the home.

Example: *A certified historic home is owned by Peter Jones, Paul Jones, Pat Jones, and Pat's spouse, Chris Jones. Each owner has a quarter interest in the ownership of the property. However, only Pat, Chris, and Peter reside in the home. The qualified rehabilitation expenses incurred were $240,000. Therefore, Chris and Pat would enter $120,000 in column A of Form IT-237 whether they file separately or jointly. Peter would enter $60,000 in column A of his Form IT-237. Paul would not be eligible to claim his share of the expenses ($60,000) since he does not reside in the home.*

Column C — Most taxpayers should enter the lesser of $50,000 or the column B amount.

However, if you are married (regardless of your filing status), and both of you own and reside in the property, you and your spouse may divide the credit equally, or divide the credit in any manner you choose, provided that neither of you claims an amount that exceeds $50,000.

Example: *You and your spouse own and reside in a certified historic home and are filing separate tax returns. The qualified rehabilitation expenses incurred were $300,000 (column A). The amount entered in column B on both Forms IT-237 is $60,000. If you and your spouse agree, you can claim 60% of the credit and would enter $36,000 in column C. Your spouse would be eligible to claim the remaining 40% and would enter $24,000 in column C of his or her Form IT-237.*

Column D — If you are married filing jointly and have agreed to divide the credit equally, enter 50% of column B. If you are not dividing the credit equally, enter the portion you have agreed upon, not to exceed $50,000. All others leave column D blank.

Line 8 — If your New York AGI (Form IT-201, line 33, or Form IT-203, line 32) **is $60,000 or less** and your total credits from all sources are:

- **$2 million or less**, enter the amount from line 8 and code ***237*** on Form IT-201-ATT, line 12 or Form IT-203-ATT, line 12. Do not complete Part 2.
- **more than $2 million**, you may be subject to a credit deferral. See Form IT-500, *Income Tax Credit Deferral*, to determine the proper amount of line 8 to enter on your tax return. Do not complete Part 2.

If your New York AGI (Form IT-201, line 33, or Form IT-203, line 32) **is more than $60,000**, continue with Part 2.

Line 9 — If line 7 is greater than line 6, subtract line 6 from line 7. This is your net historic homeownership rehabilitation credit recapture. Do not complete Part 2. Enter this amount and code ***237*** on Form IT-201-ATT, line 20, or Form IT-203-ATT, line 19.

Part 2 — Application of credit and computation of carryover

Line 10

Form IT-201 filers: Enter the tax from Form IT-201, line 39, plus any amount from Form IT-201-ATT, line 21.

Form IT-203 filers: Enter the tax from Form IT-203, line 46, plus any amount from Form IT-203-ATT, line 20.

Line 11 — If you are applying any credits against the tax before this credit, enter those amounts here.

When applying credits, use the following rules:

- First apply any household credit.
- Next apply any credits that cannot be carried over or refunded.
- Then apply any credits that can be carried over for a limited duration.
- Then apply any credits that can be carried over for an unlimited duration.
- Apply refundable credits last.

Line 13 — If your total credits from all sources are **$2 million or less**, enter the amount from line 13 and code ***237*** on Form IT-201-ATT, line 6, or Form IT-203-ATT, line 7.

If your total credits from all sources are **more than $2 million**, you may be subject to a credit deferral. See Form IT-500, *Income Tax Credit Deferral*, to determine the proper amount of line 13 to enter on your tax return.

Part 3 — NYS recapture of credit

If you no longer reside in the qualified historic home, and less than two years has passed since the later of (1) the date the final certification was issued or (2) the date you purchased the qualified historic home, you must recapture a portion of the credit you were originally allowed.

Column A — Enter the project number for which you are computing the recapture amount.

Column B — Enter the number of months that you owned and resided in the qualified property, beginning with either the date the final certification was issued or the date you purchased the qualified historic home, and ending when you moved out of the residence.

Column D — Divide the column C amount by 24 and round the result to the fourth decimal place.

Column E — Enter only the amount of credit actually claimed. **Do not** include any credit carryover you did not claim. In addition, any credit carryover **not** claimed is lost and cannot be used in computing your current year or subsequent year(s) tax liability.

Definitions

Qualified historic home is a certified historic structure located in New York State:

- which has been substantially rehabilitated (qualified rehabilitation expenditures of at least $5,000),
- which, or any portion of which, is owned, in whole or in part, by the taxpayer (including tenant-shareholders of a cooperative housing corporation),
- in which the taxpayer resides during the tax year for which the taxpayer is allowed the credit, and
- which is in whole or in part a targeted area residence within the meaning of section 143(j) of the Internal Revenue Code (IRC) or is located within a census tract that is identified as being at or below 100% of the state median family income in the most recent federal census.

A *certified historic structure*, for purposes of this credit, is any building (and its structural components) which is listed in the State or National Register of Historic Places; or is located in a state or national registered historic district and is certified as being of historic significance to the district.

A *certified rehabilitation* is any rehabilitation of a certified historic structure which has been approved and certified as being consistent with the standards established by the Commissioner of Parks, Recreation and Historic Preservation for rehabilitation by OPRHP, a local government certified pursuant to section 101(c)(1) of the National Historic Preservation Act, or a local landmark commission established pursuant to section 96-a or 119-dd of the General Municipal Law. It requires: (1) an initial certification that the structure meets the definition of a certified historic structure, (2) a second certification to be issued prior to construction certifying that the proposed rehabilitation work is consistent with the standards established by the Commissioner of Parks, Recreation and Historic Preservation for rehabilitation, and (3) a final certification issued when construction is completed, certifying that the work was completed as proposed and that the costs are consistent with the work completed.

A *qualified rehabilitation expenditure* is any amount properly chargeable to a capital account (1) in connection with the certified rehabilitation of a qualified historic home, and (2) for which depreciation would be allowable under section 168 of the IRC if the qualified historic home were used in a trade or business. It does not include any cost of acquiring any building or interest therein, any expenditure attributable to the enlargement of an existing building or any expenditure made prior to January 1, 2007. Additionally, at least 5% of the total expenditures made in the rehabilitation process must be allocable to the exterior of the building to be considered a qualified rehabilitation expenditure. For buildings used only partially for residential purposes, a qualified expenditure includes only those expenditures allocable to the residential portion.

In the case of tenant-shareholders in a cooperative housing corporation or condominium owners, a percentage of the qualified rehabilitation expenditures for exterior work on the building containing the cooperative or condominium dwelling units shall be attributed to each unit within the building based on the percentage of space such unit occupies within the building.

In the case of a building where less than the entire building is used as the residence of the taxpayer, only the portion of the total expenditures made in the rehabilitation of the building that are attributable to the residence of the taxpayer shall be treated as qualified rehabilitation expenditures.

If a taxpayer purchases a qualified historic home, qualified rehabilitation expenditures made by the seller are deemed to have been made by the taxpayer purchasing the property if the purchaser has the information from the seller regarding the qualified rehabilitation expenditures and meets all the conditions listed under a *purchased qualified historic home* (see below). You will be considered as having made the qualified rehabilitation expenditures made by the seller of the home on the date of purchase.

A *purchased qualified historic home* is any qualified historic home purchased by the taxpayer if:

- the taxpayer is the first purchaser of the home following the date of the final certification step,
- the purchase occurs within five years of the date of the final certification step,
- the taxpayer resides in the home during the tax year for which he or she is allowed the credit,
- no credit was allowed to the seller with regard to this rehabilitation, and
- the taxpayer is furnished with the necessary information (as determined by the Commissioner of Taxation and Finance) to determine the credit.