



# Special Tax Valuation: Eligible Expenses

The Washington State Special Valuation program provides tax relief for approved repairs to designated historic properties. Expenses are reviewed and recommended for approval by the Olympia Heritage Commission to ensure that they meet certain standards and definitions.

**Qualified Rehabilitation Expenditures** are defined by the IRS. These generally include:

1. Direct construction costs;
2. Certain soft costs, including:
  - a. Architectural and engineering fees;
  - b. Construction permit fees;
  - c. Development management fees;
  - d. Construction loan interest and fees;
  - e. Utilities, taxes, and insurance for the construction period; and
  - f. State sales tax.

The following costs are generally **not** considered Qualified Rehabilitation Expenditures:

1. Costs related to the acquisition of the property;
2. Expenditure attributable to enlargement of the building, except to make the building fully usable such as adding a bathroom or kitchen if one is not initially existing;
3. Costs of valuation and permanent financing of the property; and
4. Overhead costs or other "costs of doing business".

Eligible costs are further defined here:

- **Actual Cost of Rehabilitation, as per WAC-254-20-030:** "Actual cost of rehabilitation" means costs incurred within twenty-four months prior to the date of application and directly resulting from one or more of the following:
  - a) Improvements to an existing building located on or within the perimeters of the original structure; or
  - b) Improvements outside of but directly attached to the original structure which are necessary to make the building fully useable but shall not include rentable/habitable floorspace attributable to new construction; or
  - c) Architectural and engineering services attributable to the design of improvements; or
  - d) All costs defined as "qualified rehabilitation expenditures" for the purposes of the federal historic preservation investment tax credit.
- **Qualified Rehabilitation Expenditure, as per Internal Revenue Code Section 47(c)(2):** In general. The term "qualified rehabilitation expenditure" means any amount properly chargeable to capital account...in connection with the rehabilitation of a qualified rehabilitated building. Certain expenditures not included--
  - a) Cost of Acquisition: The cost of acquiring any building or any interest therein;
  - b) Enlargements: Any expenditure attributable to the enlargement of the existing building except attachments to make the building fully usable.

## Reference on Expense Eligibility

Provided each expense is determined by the Olympia Heritage Commission to meet the **Washington State Advisory Council's Standards for the Rehabilitation and Maintenance of Historic Properties**, below is a list of the types of expenses that:

✓ Generally **are** considered eligible      ✗ Generally **are not** considered eligible

Appliances & Comfort Systems		
Water heaters HVAC & A/C units	✓ Furnaces Ventilation systems	✗ Kitchen & other home appliances Home electronics
Furnishings		
Built-ins Shelves	✓ Cabinetry Window seats/nooks	✗ Moveable furniture
Plumbing & Electrical		
Fixtures Required exterior infrastructure (like sewer lines) Fire suppression systems Other code-related requirements	✓	✗ Security & alarm systems (like CCTV) Moveable lamps
Landscaping		
Sitework required for rehabilitation (like clearing, disposal and stabilization) Sitework required for utilities and foundation Landscape stabilization	✓	✗* Plants Soil amendments Landscape design Accent lighting Sprinkler systems  <i>*If the landscape itself is landmarked, landscape design and plantings may be included.</i>

### For more information, contact:

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