



# Special Tax Valuation: Eligible Expenses

The Washington State Special Tax Valuation program provides tax relief for **approved, permitted 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 explained 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 **U.S. Secretary of the Interior’s Standards for Rehabilitation**, below is a list of the types of expenses that:

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

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

**For more information, contact:**

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