

# Instructions for Form 3581

## Michigan Historic Preservation Tax Credit

### Purpose

To allow the eligible taxpayer to claim the Michigan Historic Preservation Tax Credit.

The credit is reported here and then carried to the appropriate form, according to the type of taxpayer. Individual and Fiduciary filers carry the figures to the *Michigan Individual Income Tax Return* (Form MI-1040), and the *Fiduciary Income Tax Return* (Form MI-1041), respectively. Michigan Business Tax (MBT) filers not asking for a refund of the credit carry the figures from this form to the *MBT Election of Refund or Carryforward of Credits, and Calculation of Historic Preservation and Brownfield Redevelopment Carryforward* (Form 4584). MBT filers electing to claim a refund of the credit must file the *Request for Accelerated Payment for the Brownfield Redevelopment Credit and the Historic Preservation Credit* (Form 4889), and do not need to file this form.

### What Is the Historic Preservation Tax Credit?

**NOTE:** Historic rehabilitation plans will no longer be certified after December 31, 2011.

This credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic resources located in the State of Michigan.

If the credit exceeds the taxpayer's tax liability, the balance may be carried forward up to ten years. However, for projects for which a certificate of completed rehabilitation is issued for a tax year beginning after December 31, 2008, and for which the credit amount allowed is less than \$250,000, a qualified taxpayer may elect to forgo the carry forward period and receive a refund of 90 percent of the amount that exceeds the qualified taxpayer's tax liability. Such an election must be made in the year that a certificate of completed rehabilitation is issued and is irrevocable. The credit, which is generally nonrefundable, must be claimed in the year that the certification of completed rehabilitation of the historic resource was issued.

**NOTE for MBT filers:** Beginning January 1, 2012, the historic preservation credit is available to the extent that a taxpayer had a Part 2 approval, approved rehabilitation plan, approved high community impact rehabilitation plan or preapproval letter before by December 31, 2011, but has not fully claimed the credit before January 1, 2012.

Also note:

- Credits carried forward from a prior year(s) are not eligible to be refunded on Form 4889;
- Beginning January 1, 2012, certain assigned credits are eligible to be refunded on Form 4889;
- If a taxpayer elects to claim a certificated historic preservation credit in the year in which the credit is available the credit becomes taxable under the MBT until the qualifying credit and any carryforward of the credit are extinguished.

For more information see the instructions for Form 4889 and Form 4584, and General Instructions in the *MBT Forms and Instructions for Standard Taxpayers* (Form 4600).

A qualified taxpayer may assign all or a portion of its credit to any assignee. The credit assignment cannot be revoked, but an assignee may subsequently reassign a credit, or any portion of an assigned credit, to one or more assignees. With the exception stated below, both the initial assignment of the credit by the qualified taxpayer to the first assignee(s) and the subsequent reassignment by the first assignee(s) to reassignee(s) must be done in the tax year in which the certificate of completed rehabilitation is issued.

For Basic, Enhanced and Special Consideration credits for which a certificate of completed rehabilitation is issued for a tax year beginning after December 31, 2007 and ending before January 1, 2012, an assignment by a qualified taxpayer of all or any portion of a credit allowed may be made within the 12 months immediately succeeding the tax year in which the certificate of completed rehabilitation is issued.

Qualified taxpayers may receive a **Basic Michigan Credit** equal to 25 percent of their qualified expenditures. For taxpayers eligible for the federal Rehabilitation Credit under Internal Revenue Code (IRC) § 47(a)(2), the Michigan credit is 25 percent of the qualified expenditures less the amount of the federal credit available. For example, if the amount of the federal credit available is 20 percent, the state credit is 5 percent of the qualified expenditures. The State Historic Preservation Office (SHPO) provides the form and approves the assignment or reassignment of the credit.

**NOTE:** An assignee may claim an accelerated historic preservation certificated credit as a refundable credit on Form 4889 if the assignor had a preapproval letter by January 1, 2012, and a certificate of completion, assignment certificate, or component completion certificate is issued for a tax year beginning after December 31, 2011.

A qualified MBT taxpayer may qualify for one of two additional credits if a taxpayer had a Part 2 approval, approved rehabilitation plan, approved high community impact rehabilitation plan, or preapproval letter before January 1, 2012.

The **Enhanced Credit** is equal to a percentage of qualified expenditures, not to exceed 15 percent, established in a preapproval letter issued by SHPO.

The **Special Consideration Credit** is equal to a percentage of qualified expenditures, not to exceed 15 percent, recorded on the Certificate of Completion awarded by SHPO. Special Consideration Credits are granted to rehabilitation plans expected to have a high community impact and to have significantly greater historic, social, and economic impact than those plans that earn Enhanced Credits. The maximum amount of Special Consideration Credit that may be claimed during a tax year is \$3,000,000 per project, with the excess being carried forward until used up.

**NOTE:** If the resource is sold or the certification of completed rehabilitation or preapproval letter is revoked less than five years after the historic resource is placed in service, a percentage of the credit may be subject to recapture. If the credit has been assigned, the recapture is the responsibility of the assignor.

### **Eligibility**

The Michigan Historic Preservation Credit is available to eligible assignees, owners or long-term lessees of qualified historic resources who undertake rehabilitation projects that are certified by SHPO.

Property owners undertaking rehabilitation projects on depreciable properties that qualify for the federal Rehabilitation Credit must first apply for the federal credit.

### **Special Instructions for Unitary Business Groups**

An entity reporting a Historic Preservation Credit as a member of an MBT Unitary Business Group (UBG) must calculate the credit at the member entity level. The credit may then be applied to the tax liability of the UBG.

Include this form as part of the unitary return. If there are multiple historic credits issued under separate account numbers, include multiple forms with the UBG return.

### **Line-by-Line Instructions**

*Lines not listed are explained on the form.*

**Name and Account Number:** Enter the name and account number as reported on page 1 of the applicable MBT annual return (either the *MBT Annual Return* (Form 4567) for standard taxpayers, *MBT Insurance Company Annual Return for Michigan Business and Retailatory Taxes* (Form 4588) or the *MBT Annual Return for Financial Institutions* (Form 4590)).

**UBGs:** Complete one form for each member for whom this credit applies. Enter the Designated Member (DM) name in the Taxpayer Name field and the specific member of the UBG for which this form is filed on the line below.

**NOTE:** If a member of a UBG holds a certificated historic preservation credit and wishes to claim the credit, the entire group must elect to remain taxable under the MBT until the credit and any carryforward of that credit are extinguished.

**IT/Fiduciary Filers only:** If a portion of the credit was assigned to another taxpayer, leave lines 1 through 6 blank.

#### **PART 1: ALL FILERS**

To be completed by all filers claiming a Michigan Historic Preservation Credit.

**Line 1:** Enter the project number assigned by SHPO. Complete one Form 3581 for each project completed during the tax year.

**Line 3:** For projects for which a preapproval letter was issued prior to January 1, 2009, the expenditures for the rehabilitation of a historic resource must be paid not more than five years after the certification of the rehabilitation plan. For projects for which a preapproval letter was issued after December 31, 2008, only those expenditures that are paid or incurred during the time periods prescribed for the credit under IRC § 47(a)(2)

and any related U.S. Treasury regulations will be considered qualified expenditures.

**Line 4:** The Basic Historic Preservation Credit is equal to either 5 percent or 25 percent of qualified expenditures, depending on the Certificate of Completion awarded by SHPO, but is limited by the maximum credit enumerated on the Certificate. The credit is the lesser of the percentage of qualified expenditures or the credit ceiling established by SHPO. The amount of the credit calculated on line 4d must equal the amount certified by SHPO on the verification letter or the approved "Part 3 — Certification of Completed Work" form received for the project.

**Line 4d. MBT taxpayers only,** carry the amount on line 4d to Form 4584 line 16 if not assigning the credit. If assigning any portion of the credit to yourself, carry the amount assigned to yourself to Form 4584, line 10, instead.

#### **PART 2: MICHIGAN BUSINESS TAX FILERS ONLY**

**Line 5:** The Enhanced Historic Preservation Credit is equal to a percentage of qualified expenditures, not to exceed 15 percent, recorded on the Certificate of Completion awarded by SHPO, but is limited by the maximum credit enumerated on the Certificate. The credit is the lesser of the percentage of qualified expenditures or the credit ceiling established by SHPO. The amount of the credit calculated on line 5d must equal the amount certified by SHPO on the verification letter or the approved "Part 3 — Certification of Completed Work" form received for the project.

**Line 5d.** Carry the amount on line 5d to Form 4584, line 17 if not assigning the credit. If assigning any portion of the credit to yourself, carry the amount assigned to yourself to line 10 instead.

**Line 6:** The Special Consideration Historic Preservation Credit is equal to a percentage of qualified expenditures, not to exceed 15 percent, recorded on the Certificate of Completion awarded by SHPO, but is limited by the maximum credit enumerated on the Certificate. The credit is the lesser of the percentage of qualified expenditures or the credit ceiling established by SHPO. The amount of the credit calculated on line 6d must equal the amount certified by SHPO on the verification letter or the approved "Part 3 — Certification of Completed Work" form received for the project.

**Line 6d:** If line 6d is \$3,000,000 or less carry the amount on line 6d to Form 4584, line 21, or if any part of this credit is to be assigned, carry the amount on line 6d to Form 4584 line 21 if not assigning the credit. If assigning any portion of the credit to yourself, carry the amount assigned to line 13 instead. If line 6d is greater than \$3,000,000, you should carry \$3,000,000 or the portion of the credit remaining to line 13 as well. The Special Consideration credit must be assigned in increments of \$3,000,000 per tax year even if that assignment is to the assignor.

#### **PART 3: INDIVIDUAL INCOME TAX/FIDUCIARY FILERS ONLY**

**Line 7:** If assigned the credit, enter the amount of the assigned credit from the approval letter provided by the assignor.

**Lines 10-14:** Individual and Fiduciary Income Tax filers, calculate the amount of the Michigan Historic Preservation Tax Credit needed to offset the taxpayer's tax liability. Carry the amount from line 14 to the 2025 Form MI-1040, line 19b.

**Line 15:** Credit in excess of the tax liability may be carried forward and used in subsequent years, not to exceed ten years.

**Line 16:** For credit certificates issued after December 31, 2008, that are less than \$250,000, a taxpayer may elect to forego the carry forward and receive a refund of 90 percent of the amount of the credit that exceeds the tax liability. The election to receive a refund must be made in the year that a certificate of completed rehabilitation is issued and is irrevocable. Any carry forward from prior years is not subject to this option. If you choose to receive a refund of the excess credit amount, complete line 16.

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### **Other Supporting Forms and Schedules**

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To claim this credit, include Form 3581 with the taxpayer's *Michigan Individual Income Tax Return* (Form MI-1040), *Fiduciary Income Tax Return* (Form MI-1041), *Michigan Business Tax Annual Return* (Form 4567), *Insurance Company Annual Return for Michigan Business and Retaliatory Taxes* (Form 4588), or *Michigan Business Tax Annual Return for Financial Institutions* (Form 4590), and include the documents listed below with the return:

- Historic Preservation Certification Application, Part 1, Evaluation of Eligibility, signed and dated
- Historic Preservation Certification Application Part 3, Certification of Completed Work, signed and dated
- Copy of "Michigan Verification of Taxable Credit Eligibility," if applicable
- A detailed list of qualified expenditures and dates paid.

Each IIT assignee must include a copy of the letter the assignor received and a completed Form 3581 with any required attachments to their Form MI-1040, or Form MI-1041.

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### **Additional Information**

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For questions regarding the tax credit, contact Treasury:

- Individual Income Tax: 517-636-4486
- Michigan Business Tax: 517-636-6925

To obtain Treasury forms, visit **[www.michigan.gov/taxes](http://www.michigan.gov/taxes)**.

For questions regarding federal and state certification see the State Historic Preservation Office (SHPO) website **[www.michigan.gov/shpo](http://www.michigan.gov/shpo)**.