

COMMONWEALTH OF VIRGINIA – DEPARTMENT OF HISTORIC RESOURCES  
VIRGINIA HISTORIC REHABILITATION TAX CREDIT PROGRAM  
**ELIGIBLE AND INELIGIBLE EXPENSES**

**NOTE:** This is not intended an exhaustive list. The items below provide a broad guide to the types of costs that are, and are not, typically eligible for receiving historic rehabilitation tax credits. Please reach out to Tax Credit Staff with additional questions.

**Examples of Expenses that are Eligible:**

Eligible rehabilitation expenses are expenses incurred by a taxpayer in the material rehabilitation of a certified historic structure and are added to the property's capital account. All eligible expenses must be attributable to the basis of the property.

**Hard costs**, comprised of permanently affixed parts of the building, such as:

- Structural components (e.g., walls, permanent wall partitions, floors, ceilings; roof, chimneys, stairs).
- Finish treatments (e.g., paint, siding, trim, permanently affixed flooring, tile).
- Windows and doors.
- Custom cabinetry and countertops (designed specifically for the space and not modular).
- Specific, permanent, built-in appliances.
- HVAC, plumbing, electrical, septic, and life-safety systems.
- Elevators.
- Generators integrated into the electrical system.
- Gutters and downspouts, including French drain systems that are integrated with the overall drainage systems.
- Lead and asbestos abatement.
- **State-Only:** Under the State Program, some historic man-made landscape features may qualify if they are listed as contributing resources within the National Register nomination.
- **State-Only:** Solar power assemblies, if they are fully and permanently integrated into the electrical system and are not subject to other Virginia tax benefits. Geothermal systems.

**Soft costs**, such as:

- Construction period interest and taxes (only during the period of rehabilitation, while the building is out of use).
- Architect and engineering fees.
- Insurance fees related to construction.
- Reasonable construction management costs and Developer fees.
- Preservation consultant fees.
- DHR and NPS project review fees.
- CPA fees for the cost certification.
- Miscellaneous costs such as hauling, landfill, and other construction site fees.

**Examples of Expenses That Are NOT Eligible:**

**Hard costs**, such as:

- Personal property including appliances, furniture, window treatments, signage.
- Carpeting (if tacked in place and not glued).
- Most new construction outside of the building footprint.
- New additions or other enlargement to the interior volume of the structure (including excavation).
- Modular and mass-produced cabinetry that is built off-site.
- Specialty wiring not used for the usual electrical purposes (theater sound systems, hospital/medical equipment).
- Modular, mass-produced office partitions.
- Landscaping costs (e.g., planting, paving, planters, benches, retaining walls [excepting work to historic site features that are formally listed as contributing to the historic property], sidewalks, vegetation removal).
- Moving a building – even to save it from demolition.

**Soft costs**, such as:

- Acquisition costs.
- Feasibility or Marketing studies.
- Financing fees.
- Leasing costs.
- Legal costs for syndication or personal legal matters (lawsuits or other disputes related to the rehabilitation project).
- LEED certification.
- Rental fees for storing furniture.