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## Understanding the Substantial Rehabilitation Test for Historic Tax Credits FAQs.

**Question:** What is the substantial rehabilitation test?

**Answer:** The federal historic tax credit (HTC) program provides a 20% income tax credit for qualified rehabilitation expenditures (QREs) on income producing historic buildings that meet specific Internal Revenue Service (IRS) and National Park Service (NPS) requirements. Among those requirements is that the rehabilitation must meet the substantial rehabilitation test, which requires:

- The project must constitute a “substantial rehabilitation.”
- QREs incurred during a 24-month measurement period (or 60 months for phased projects) must exceed the adjusted basis of the certified historic structure on the first day of the measurement period.

Explore frequently asked questions and key concepts to better understand the substantial rehabilitation test.

Continue reading.

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