



National Trust for Historic Preservation

Preservation Leadership Forum

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Takeaway for “Tax Credit Resources from The National Park Service”

Glossary of Terms

Amortization—The loan payment that consists of a portion which will be applied to pay the accruing interest on a loan, with the remainder being applied to the principal. Over time, the interest portion decreases as the loan balance decreases, and the amount applied to principal increases so that the loan is paid off (amortized) in the specified time.

Depreciation—Depreciation for tax purposes is a deduction that is intended to be an allowance for the physical wearing out of a building. **Accelerated depreciation** allows a faster write-off than the straight line method of depreciation.

Equity—the difference between the value of a property and the indebtedness against it.

Historic Tax Credit—A federal income tax credit for the rehabilitation of eligible income-producing property. A 20 percent credit for National Register or contributing buildings in historic districts and a 10 percent for pre-1936 is available.

Limited Partnership—A form of business organization with two classes of partners. The **general partner** has management rights and responsibilities and ordinarily faces potential liability beyond the assets of the partnership. The **limited partners** are passive investors with few management rights, but who are limited in their liability to their investment in the partnership.

Syndicate—A group of individuals or companies who together undertake a project. Syndication enables very large projects to be undertaken and spreads the risk among many investors. Syndication divides the responsibility for providing financial resources to one group or class of owners and the managerial resources to another group or class of investors. Along with the pooling of financial resources and the division of managerial responsibilities, may come the division of allocation of the benefits of cash flow, tax shelters and tax credits, and appreciation between the classes of owners.

Tax Credits—Tax benefits, granted for engaging in particular activities, which are subtracted on a dollar-for-dollar basis from taxes owed.

Sources:

National Development Council, *Real Estate Finance Textbook*, (Edgewood, Ky.) 2006.

National Main Street Center, *Main Street Guidelines: Real Estate Glossary*, (Washington, D.C.) 1987.