

Special Property Tax Treatment For Historic Properties

by Catherine Collins and Geoffrey Propheter

Catherine Collins is a senior research associate at the George Washington Institute of Public Policy (GWIPP). Geoffrey Propheter is a student at George Washington University, Trachtenberg School of Public Policy and Public Administration.

GWIPP partners with the Lincoln Institute of Land Policy in Cambridge, Mass., in a joint venture creating Significant Features of the Property Tax. This Web-based data set includes extensive multiyear information covering property tax topics.

States offer an array of tax incentives to encourage preservation of historic properties. The rationale for providing those programs is that the community benefits from preserving historically significant properties, which may warrant the cost of providing the tax incentive. The most common ways states make incentives available are as income tax credits or through the property tax. As is true of most property tax programs, there is wide variation across the states regarding the relief provided. Those programs and their differences are the focus of this report.

Using the Significant Features of the Property Tax database, developed and maintained as a joint project between the Lincoln Institute of Land Policy and the George Washington Institute of Public Policy, we have compiled a list of property tax relief programs directed to historic preservation as of December 2011.

The one requirement common to all the historic preservation tax incentive programs covered here is that the historical significance or architectural integrity of the property must be maintained. Additional requirements may also be imposed, such as the property being visible from the street or open to the public on some days.

Programs are of two types: those that require improvement or additional rehabilitation investment to qualify for the incentive and those that require only maintenance. In the accompanying table, we separate the programs into those two

types, identify the incentive, and note whether the program is available on a statewide basis or whether the program is strictly at local option.

Of the programs requiring only maintenance, eight are statewide. Those eight provide relief through valuing the property by taking into account any encumbrance or limitation imposed as a result of maintaining the historic nature of property (current use value) rather than current or full market value or by taxing at a lower percentage of the value (lower assessment ratio). Two of the local programs provide for using current use value, while the other local programs provide either full or partial exemptions of value or a reduction in the tax bill by providing a credit. About half of those, including all of the statewide programs, impose a penalty if the historic nature of the property is not maintained.

Programs in 22 states require investments or improvements as a condition of the incentive. Owners are generally required to pledge a minimum investment on rehabilitation or renovation and also may be required to commit to maintaining the historic nature of the property. In all instances, the rehabilitation and modifications must be approved by state or local authorities as being consistent with the historic nature of the property. Moreover, the property tax incentives expire after a specified number of years, though the programs may allow for renewal or recertification. Programs that provide either a full or partial exemption of the increase in value attributed to historic rehabilitation are available in 19 states, with 15 of those available only if the local jurisdictions permit them. Also, three states offer local option property tax credits.

Overall, 33 states and the District of Columbia allow some property tax incentives for preservation of historic properties; in approximately two-thirds of those, the local governments are left to decide whether they want to provide those incentives. The preponderance of the local adoption requirements follow from the assumption that the tax breaks given to historic properties disproportionately affect local government revenue. Of the 17 states that do not offer property tax incentive programs for historic properties, two states — New Jersey and Virginia —

Property Tax Relief for Historic Preservation by State (as of December 2011)								
	Maintenance Only Required				Improvements or Rehabilitation Required			
	Exemption or Freeze	Use Value	Assessment Ratio	Credit	Exemption or Freeze	Credit	Other	Term (years)
Alabama		S	S					
Alaska	L							
Arizona			S				S	10/15
Arkansas	None							
California		L						
Colorado		S						
Connecticut	L							
Delaware					L	L		5/10
D.C.		S						20
Florida	L	L			L			10
Georgia	L				S			9
Hawaii	L							
Idaho	None							
Illinois					L		L	12
Indiana					S			5
Iowa					S/L			8
Kansas	None							
Kentucky	None							
Louisiana					L			5/10
Maine				L				
Maryland						L		6/10
Massachusetts					L			5
Michigan							L	30
Minnesota	None							
Mississippi	None							
Missouri	None							
Montana					L			5
Nebraska					S			12
Nevada		S						
New Hampshire	L							
New Jersey	None							
New Mexico	None							
New York					L			9/10
North Carolina	L							
North Dakota	None							
Ohio					L			10/15
Oklahoma					L			5
Oregon					S/L			10/10
Pennsylvania	None							
Rhode Island	L				L	L		2/5/9
South Carolina					L			20
South Dakota					S			8
Tennessee					L			10/15
Texas	L	S						10
Utah	None							
Vermont	None							
Virginia	None							
Washington	L	S			L			10
West Virginia	None							
Wisconsin	None							
Wyoming	None							

Note: S means statewide program and L means local option program.
Note: Term (years) does not include the period of precertification or preliminary certification.
Source: Compiled from Significant Features of the Property Tax website, *available at* <http://www.lincolnst.edu/subcenters/significant-features-property-tax/>.

provide a full general exemption for some types of historic properties. Those full exemptions, not reported in the accompanying table, are also offered by some of the 33 states that provide the special property tax treatment programs captured in the accompanying table.

Details of each of the programs can be located on the Significant Features of the Property Tax website, <http://www.lincolnst.edu/subcenters/significant-features-property-tax/> under “Preferential Property Tax Programs” for those programs that do not require improvements or rehabilitation and under “Incentives for Specific Property Improvements” for those that do. ☆

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