

FEDERAL GOVERNMENT FINANCIAL INCENTIVES FOR HISTORIC BUILDINGS

20% Rehabilitation Federal Income Tax Credit

This tax credit is available for rehabilitation of income producing structures for commercial, industrial, agricultural or rental residential purposes, including rental single family homes and apartment buildings. Tax credits provide a dollar-for-dollar reduction of income tax owed. The 20% rehabilitation tax credit equals 20% of the amount spent in the rehabilitation of a certified historic building. The goal of the rehabilitation credit is to put the building back to use so that it is functional and meets current housing, retail, commercial, or industrial needs.

All elements of a rehabilitation project must meet the Secretary of the Interior's Standards for Rehabilitation. They must also meet basic tax requirements of the Internal Revenue Code. The tax credit must be claimed on the appropriate IRS form for the tax year in which the rehabilitated building is placed in service.

Historic Preservation Easements

Preservation easements allow for federal income tax deductions for charitable contributions of partial interests in historic properties. A preservation easement is a voluntary legal agreement between a property owner (the grantor) and a government agency or preservation organization (grantee). The easement protects a significant historic, archeological, or cultural resource in perpetuity for the benefit of future generations.

The easement can be unique to each property and may incorporate many elements. Protected features may include the façade, the interior, the grounds, view sheds, or air rights, etc. The façade easement is the most practical and common type of donation. The terms of agreement are reached by mutual consent between the property owner and the easement-holding organization.

An easement allows the donor to retain private ownership and use of a property and, if certain criteria are met, claim a Federal income tax deduction equivalent to the value of the donated rights. Permanent preservation conditions must be agreed upon and abided by for an owner to claim the tax deduction. In addition, the public must have some visual access to the donated property. The easement is binding on the owner who grants it as well as on all subsequent owners. The owner can sell or will the property to whomever he or she wishes.

Details about the 20% tax credit or preservation easements can be obtained from the National Park Service and the Internal Revenue Service, hps_info@nps.gov, (202) 354-2055; or the State Historic Preservation Officer fgaske@dos.state.fl, (850) 245-6300.

LOCAL GOVERNMENT FINANCIAL INCENTIVES FOR HISTORIC BUILDINGS

Ad Valorem Property Tax Exemption

Miami Dade County offers the ad valorem property tax exemption, which exempts 100% of the assessed value of all qualified improvements to historic properties for a period of 10 years. This exemption applies to county property taxes only, not city property taxes. Miami Dade County's legislation works by "freezing" ad valorem taxes at the rate they were assessed before improvements are made. In other words, the incremental value added by the authorized improvements is not added to the assessment.

To claim this benefit a property owner must file an application to the Miami Beach Historic Preservation Board, which transmits the application with its recommendation to the Miami-Dade County's Office of Historic Preservation for further processing. Once approved the property owner enters into a covenant with the County Commission relative to the maintenance and protection of the property for a ten-year period beginning on January 1 after improvements are completed. Many historic properties in South Beach have been approved for this benefit including the Winterhaven, the Tiffany and the McAlpin hotels. For further information contact Miami-Dade County Office of Historic Preservation, rx@miamidade.gov, (305) 375-3471.

Alternative Method of Property Assessment

Owners of historic buildings may be eligible for an alternative method of assessment by the Miami-Dade County Property Appraiser. This alternative method allows the property to be assessed based on the actual use rather than highest and best use, which may have an effect in lowering property taxes. To be eligible the property must be officially designated as historic either by local ordinance or listing on the National Register of Historic Places. It also must be commercial in nature (apartment buildings are not included) and be open to the public at least 40 hours per week for 45 weeks per year or the equivalent of 1,800 hours per year. The benefit applies only to the Miami-Dade County portion of the tax bill.

To claim this benefit, property owners of qualifying properties must file an application with the Miami-Dade County Department of Property Appraisal by March 1 of each year. To find out if your property qualifies, contact David Rooney at (305) 375-3829 at the Property Appraisers Office.