GEORGIA
Department of Natural Resources
Historic Preservation Division

Tax Incentives for Historic Rehabilitation

2010

Ced Dolder, Tax Incentives Coordinator

Our Mission Statement

Our mission is to promote the preservation and use of historic places for a better Georgia.

Historic Preservation Division
404-656-2840
www.gashpo.org

Tax Incentives for Historic Preservation

- Federal and State Tax Incentive Programs are administered through the Historic Preservation Division

Three Types of Tax Incentives

- Federal Rehabilitation Investment Tax Credit
- Georgia Preferential Property Tax Assessment
- Georgia State Income Tax Credit

Requirements: The Registers

- On the National/ Georgia Register of Historic Places, either..
- Individually, or
- As a contributing structure to the historic integrity of a NR district

Maxwell Apartments, Augusta
Individually listed

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More Requirements:

All projects…..
•Must meet certain financial requirements to participate, such as spending a set value in the rehabilitation to be deemed substantial

•Must execute the work in accordance with guidance provided in the *Standards for Rehabilitation*

Snow Tire Building, Downtown Athens, Clarke County

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National Register Individual Listing-Bond Family House, DeKalb County

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Contributing to the Integrity of a NR District – Waynesboro Historic District, Burke County

GA's 2000th Listing!

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Hapeville's New District

Federal Income Tax Credit

- 20% of qualifying rehab expenses, no maximum cap, as a federal income tax credit. Must spend more than the adjusted basis of the building
- Must be eligible for listing in the National Register either individually or contributing to integrity of a NR district
- Property must be income producing, not a personal residence

What is a Qualifying Expense?*

- **Structural components**
  - Siding, Masonry, Roof, Chimneys
  - Walls, Partitions
  - Windows, Doors, interior and exterior
  - HVAC systems
  - Electrical and Plumbing

  - **Soft costs**: architect, consultant, or engineer fees
  - Construction period interest and taxes

**In accordance with Treasury regulation 1.48-12(c)*

FY 2008 Federal Ranking

Delaney Hotel, Covington

- Georgia ranked twelfth nationwide for the number of federally certified rehabilitated historic projects
- Almost $30 million was spent in rehabilitation expenses

After Rehab

Delaney Hotel, Covington
$1,280,000 in expenses for rehabilitation, for every $1 spent = $5 private investment in the community

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Successful Federal Tax Projects

7-13 Second Avenue, Rome

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Another successful project

309 Eighth Street, Augusta

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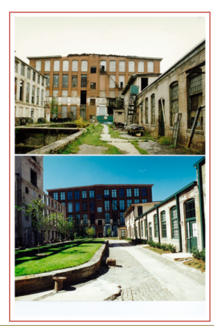
Award Winning Rehabilitation



Fulton Bag and Cotton Mill, Atlanta

ca. 1881

Over $42 million in qualifying expenses in 2000

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Georgia Preferential Property Tax Assessment Program

- Freezes the property tax assessment for over 8 years at before rehab rate, starts at beginning of rehab work
- Must increase the Fair Market Value of building only by 50% for residential, 75% for mixed use, 100% for income producing
- Must be eligible for Georgia/NR Register of Historic Places either individually or as a contributing structure to the integrity of a GA/NR Historic District
- Is transferable to new owners, remains with property
- Available for both income producing and residential properties

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Before and After View of Property Tax Assessment Project

1077 Alta Avenue, Atlanta

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Queen Anne Cottage Style

Typical wrap around front porch

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More fine examples of Property Tax Assessment Projects

1005 College Street, Macon

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Downtown Before and After

6 & 7 Public Square, Bowman, Elbert County

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Georgia State Income Tax Credit and the Changes from HB 851

- Now **25**% of the qualifying rehabilitation expenses taken as a credit off state income tax
- Previously credit was equal to either 10%, 15% or 20% of rehab expenses, depending on final use of building
- Must increase the adjusted basis of the building 50% for a principal residence, 100% for an income-producing building
- Can carry over credit for 10 years

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Another Change in the Credit

•Previously credit capped at $5000 for all projects, residential or commercial

•Now credit is maximized at **$100,000** for residential, and -

$300,000 for income-producing commercial properties

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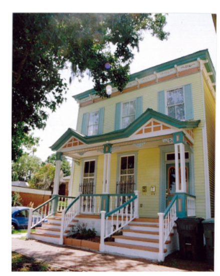
State Credit Projects



1721 Habersham Street, Savannah

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State Credit Projects

This ca.1884 armory has been transformed into a special events facility
$2 million spent in rehabilitation

484 First Street, Macon

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Application Materials

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What is a Substantial Rehabilitation?

For an Income Producing Project:

- You have to increase the adjusted basis of the building by 100%. This would qualify your project for all three programs.

For Example

- Adjusted Basis minus the land: $100,000.
- Total Project Cost, incl. addition and site work: **$250,000.**
  - *(Spent on new addition and site work: $50.000)*
- Work that qualifies as rehab expenses: **$200,000.**

Federal credit: 20% of $200,000= $40,000
State credit: 25% of $200,000= $50,000
Property tax assessment freeze for 8 ½ years

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What is a Substantial Rehabilitation?

For a Residential Project:

You would be eligible for the state programs only:

–In order to qualify for the state income tax credit you would have to increase the adjusted basis by 50% or $25,000, whichever is lesser.

–In order to qualify for the property tax freeze, you would have to increase the pre-rehab Fair Market Value* of the building by 50%,

*i.e. Defined as what a buyer would pay in a fair market for the property. This amount is usually listed on your County Tax Appraisal. This freeze will begin with the submission of an approved Part A. It continues with the approved Part B.

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Example of Residential

Pre-Rehab Fair Market Value of House: **$150,000.**
Adjusted Basis of Home, minus land: **$100,000.**

- Total Cost of Rehab: $**275,000**.
  - *Minus cost of site work and new addition: $ 50,000.*
  - Qualifying expenditures: $**225,000**.

State Income Tax Credit: 25% of $225,000.= $56,250.

Property Tax Assessment not increased for 8 1/2 years
(Value could equal as much as $12,000.)

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Successful Before and After Project

110-112 West 34th Street, Savannah

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Interiors are Reviewed

1721 Habersham Street,
Savannah

Note: Original ceiling height restored, paneling removed, plaster repaired

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Review Concerns

- Plaster repair vs removal
- Window repair vs removal
- New addition compatibility
- Historic stained woodwork painted
- Historic integrity compromised by matching new work too closely
- Creating too many new partitions or openings

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Commercial Building

Exterior
Before and After

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Interior Rehabilitation

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Plaster CAN be Repaired

- Ceiling before and after patching and repainting

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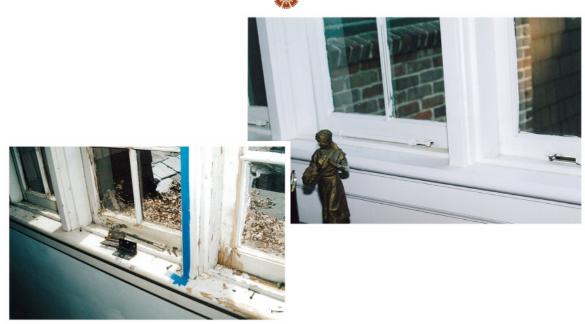
Old Windows Repaired, not Replaced



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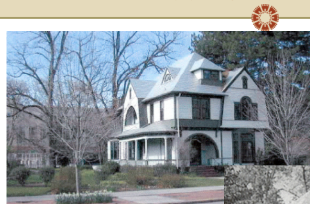
…and you can't even tell…

- As a physical record of its time, place and use, changes that create a FALSE sense of historical development are not acceptable.
  - Such as:
    - Mouldings, doors, windows, door and window trim used in new locations that match exactly the historic
    - **Removal of old materials to integrate new addition materials into historic, i.e. clapboard removal on the exterior to meld a new addition's clapboard in to it**
    - New addition built in such a way that if removed the essential integrity of the historic property is impaired

Appropriate Additions?

New Addition or Another House?



Historic

New

Potential for New Projects

- The National Register contains over 2,000 listings in Georgia
- Up to 69,000 historic properties are eligible for the tax credit program

Contact Information

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