



# HISTORIC PROPERTY IMPROVEMENT INCENTIVES APRIL 21, 2022

Andrew W. Meier, Esq. PO Box 606 Medina, New York 14103

# INCENTIVES

- Historic Rehab Tax Credits
- Property Tax Exemptions
- Grants
- Loans

# HISTORIC REHAB TAX CREDITS

- ⦿ Credit against Income Tax Due (Federal and State)
- ⦿ **FEDERAL:**
  - 20% of Qualified Rehab Expenditures (QRE)
  - May be carried back 1 year, forward 20 years
  - Offsets income taxes otherwise due
  - May be some limitations on claiming it - talk to tax advisor (AMT, passive activity loss limits, etc)

# HISTORIC REHAB TAX CREDITS

- ⦿ Credit against Income Tax Due (Federal and State)
- ⦿ STATE:
  - 30% of Qualified Rehab Expenditures (QRE)
  - REFUNDABLE if not fully used!
  - Like a grant, but not competitive.

# HISTORIC REHAB TAX CREDITS

- ⦿ Credit against Income Tax Due (Federal and State)
- ⦿ TO QUALIFY:
  - Historic Property (most of downtown Medina is)
  - Need pre-approval
    - **\*\*Hire qualified architect and tax credit consultant\*\***
  - Follow SHPO rules (not hard with good advice)
  - Non-competitive!

# PROPERTY TAX EXEMPTIONS

- NY RPTL 444-a
  - Historic Property
- NY RPTL 485-a
  - Mixed-use building
- Village, School, County (not town)

# HOW DO THESE EXEMPTIONS WORK?

- ◉ Exempt the value of new improvements
- ◉ Do not reduce current taxes
- ◉ Result: Phase-in of new taxes

# NY RPTL 444-A

## ⦿ Historic Property

- Local Landmark status, or
- Contributes to historic district

## ⦿ Exemption:

- Years 1-5: 100%
- Year 6: 80%
- Year 7: 60%
- Year 8: 40%
- Year 9: 20%
- Year 10: Full Assessment



# NY RPTL 485-A

- ⦿ Non-residential conversions to mixed-use
- ⦿ Very aggressive exemption schedule:
  - Years 1-8            100%
  - Year 9                80%
  - Year 10               60%
  - Year 11               40%
  - Year 12               20%
  - Year 13               Full Assessment

# AN ILLUSTRATION

**Project:** Rehab 3-floor building for 1 first floor commercial unit and 2 upper floor residences

**Cost:** \$350,000

**QRE:** \$300,000

**Federal Credit:** \$60,000 (claimed against tax)

**State Credit:** \$90,000 (refundable)

**Net Project Cost:** \$200,000

**Grants:** Can further reduce cost (but may also reduce credit)

**Grant Substitutes:** Don't over-renovate!

# AN ILLUSTRATION, CON'T

**Project:** Rehab 3-floor building for 1 first floor commercial unit and 2 upper floor residences

**Cost:** \$350,000

**QRE:** \$300,000

**Property Tax Exemption:** \$100,000

**Tax savings per year (1-8):** \$5000

**12-year savings:** \$50,000

# ADD IT UP!

- ⦿ \$350,000 total project cost
- ⦿ Income tax and property tax incentives: \$200,000
- ⦿ Net project cost: \$150,000 (some incentives paid out over time)
- ⦿ No grants to apply and compete for!

# THE MORAL OF THE STORY...

- ⦿ There are lots of incentives available to improve your building and drive more cash flow without complex, “lottery”-type grant requests which are costly to administer and entail lots of red tape.
- ⦿ With a little effort, a sensible design, and the help of qualified consultants, you can improve your buildings and drive more rental revenue at 50% of the cost (or less) using incentives available right now.