

TAX BENEFITS

Historic properties may be eligible for a range of federal, state, and local tax benefits.

1 Federal 20% historic rehabilitation tax credit

The federal government provides a 20% income tax credit for the substantial rehabilitation of a historic building that will be used primarily for a business or other income-producing purposes (a previously available 10% rehabilitation credit was eliminated in 2017). The credit is for 20% of qualified expenses spent on the rehab of the historic building. To qualify for the credit, the rehabilitation must meet the Secretary of the Interior's Standards for Rehabilitation.³⁸ The credit is not available for owner-occupied residences.

The application for the credit is available through the National Park Service and must be submitted before the rehab work is completed.³⁹ To qualify for the 20% credit, a building must be certified as a historic structure by the National Park Service. Eligible properties include properties listed on the National Register of Historic Places and contributing properties in a National Register Historic District. Other historic properties, such as those in a state or city historic district, may also qualify through the application process. The rehabilitation and other work associated with the project is overseen by the Texas Historical Commission and National Park Service.

2 Federal income tax deduction for easements

An owner of a historic property who donates an easement to a qualified nonprofit organization or governmental entity to promote the preservation of the property may be eligible for a federal income tax deduction and should consult with their accountant for more information. The amount of the deduction is generally the fair market value of the easement, which is based on the difference in the fair market value of the property before and after the easement is granted, using a qualified appraiser.

3 Texas Historic Preservation Tax Credit Program

Texas offers a tax credit from state franchise taxes that is worth 25% of eligible rehabilitation costs. The eligibility requirements and overall tax credit program is similar in scope to the federal historic rehabilitation tax credit.⁴⁰ Applications are made through the Texas Historical Commission and require a fee of \$300 to \$18,000, depending on the size of the rehab project. See this [handy chart](#) for comparing the Texas and federal tax credit programs.

4 Local historic tax exemptions

Many local taxing entities in Texas offer local exemptions from property taxes to encourage the preservation, rehabilitation, and restoration of historic landmark properties. The exemption is provided either in the form of a tax freeze—which typically freezes the assessed valuations of the land and improvements at the pre-renovation values for the purposes of assessing city taxes—or a traditional exemption, which exempts the entire land and structure from all or a portion of property taxes assessed by the particular local taxing jurisdiction.

To qualify for a local historic tax exemption, which requires an application, cities typically require a property to be formally designated as a local historic landmark or be a contributing property in a landmark district. Local historic tax exemption programs often, but not always, require properties to undergo substantial rehabilitation in order to qualify for the exemption.

The following are examples of the types of local property tax exemption programs offered in Texas:

Dallas: The City of Dallas provides a ten-year historic tax exemption, with the amount of property taxes exempted based on the type of local historic district the property is located in, if any. Properties located in certain types of local historic districts have a lower renovation threshold to qualify. The exemption is applied to either the entire property or the added value of the renovations, depending on where the property is located. Historic properties owned by nonprofits that are open to the public are eligible for a 100% exemption.⁴¹

Fort Worth: Fort Worth offers a 10-year tax freeze for historic properties that undergo substantial renovation (typically 20% of the assessed valuation of the structure must be spent on rehabilitation). Approval for the exemption must be obtained from the City's Historic Preservation Office, followed by an application each year to the local appraisal district.⁴²

San Antonio: San Antonio offers a property tax exemption for substantial renovation of historic properties: residences are eligible for a 10-year tax freeze, while commercial properties are eligible for a 100% exemption on all city taxes for the first 5 years and then a 50% exemption for next 5 years. The city also offers a 20% exemption from city taxes for 10 years for all residential properties in a newly designated local historic district, with an option for a 5-year extension if the owners remain in the home.⁴³