

# Restoration Tax Abatement

Under normal circumstances, if an owner improves, renovates or adds on to a building, the assessed value goes up and so do the property taxes. Under the recently expanded Restoration Tax Abatement Program, the assessed value and the property assessment can be frozen at the pre-improvement level for five years, resulting in substantial tax savings. In many parishes, the RTA can be renewed for an additional five years. In addition, this program can be used in combination with the federal historic preservation tax credit program, resulting in even more substantial savings. It should be noted that the tax relief provided by the Restoration Tax Abatement Program is not automatic; rather it must be granted by the local taxing authority, generally the municipality and the Louisiana Board of Commerce and Industry.

## What Properties Qualify:

The tax abatement program is available for buildings individually listed in the *National Register of Historic Places* or buildings that are considered historic components of *Register* districts. Commercial property owners and homeowners who expand, restore, improve or develop an existing structure in a qualifying district, after completion of the work, pay ad valorem taxes based on the assessed valuation of the property prior to the commencement of the improvements. The tax abatement is not available if property taxes have been paid on the improvements made by the project. If the property is sold, the contract may be transferred, subject to local government and Board approval. It is also available for existing buildings in downtown or economic development districts. It should be noted that, unlike the federal historic preservation tax credit program, the state tax abatement program can be used both for commercial structures and owner-occupied private homes. Improvement projects proposed for historic buildings (i.e., listed individually on the *National Register* or historic components of *Register* districts) must be approved by the Louisiana Division of Historic Preservation.

## Financial Considerations:

Unlike the federal tax credit program, the State Restoration Tax Abatement Program does not generally have a financial threshold requirement for commercial structures. That is, for most projects, there is no set minimum amount of money an owner must spend in order to qualify. In most cases any project, however small, would be acceptable. The only exception to this is that, on owner-occupied dwellings, projects must be valued at least 25% of the assessed valuation of the building. In this case, the assessed valuation is generally figured at 10% of the appraised market value.

Another important feature of the state tax abatement program is that, in most cases, the financial benefit applies to additions to a building as well as to work on the building itself, thus increasing the tax savings. An owner's tax abatement is established by a contract through the Louisiana Department of Economic Development with the Board of Commerce and Industry.