



Fact Sheet:

Historic Preservation Tax Incentives

Federal Rehabilitation Tax Credit: Commonly referred to as the *Historic Tax Credit*, this program provides building owners with a tax credit valued at 20 percent of eligible expenses. The credit must be redeemed over five years (20 percent each) against taxes due on passive income, such as rental proceeds. These credits may not be transferred, but they may be redeemed by an equity investor, provided the investor makes payment prior to the project's completion, also known as a *placed in service* date.

State Income Tax Credit for Rehabilitated Historic Property: The state of Georgia provides a companion State Historic Tax Credit of 25% of eligible expenses, redeemable in a single tax year against income taxes owed in Georgia. Unlike the federal credit, the state credit may be transferred (sold) to a taxpayer who does not hold an ownership stake in the building. Also unlike the federal program, Georgia's tax credit has an aggregate cap. As a result, building owners who have received initial approval from the Division of Historic Preservation must submit the approved Part A form to the Georgia Department of Revenue in order to guarantee, or reserve, credits for the project. After completion an approved *Part B* form is needed to redeem state credits.

State Preferential Property Tax Assessments: Georgia law provides for an eight-year freeze in local property taxes for rehabilitated historic property, inclusive of a maximum two-year construction period. To qualify, a project must meet all the requirements of the state historic tax credit and rehabilitation costs must meet or exceed the building's pre-renovation value (excluding land value). This incentive requires the owner to file state-approved Part A and Part B forms with their county tax assessor. A 2025 state law allows localities the option of extending this incentive to include a 50% reduction of current fair market value for up to twelve additional years.

Qualified Rehabilitation Expenses: The eligible expenses used to calculate state and federal historic tax credits are termed Qualified Rehabilitation Expenses, or *QREs*. These typically include all fixed components of a building including plumbing, electrical and heating and air conditioning systems but exclude furnishings, appliances and landscaping.

Secretary of Interior Standards: Established by the U.S. Department of Interior, these are the preservation best practices that must be followed for a project to be designated a *certified rehabilitation* and qualify for federal and state historic tax credits. Sometimes abbreviated *SOI*

Standards, they are applied during the review process, and written guidance on how to apply the standards in a building rehabilitation is routinely published by the National Park Service. While local historic district regulation is limited to the exterior of buildings, all work on the interior, as well as to related new construction, must comply with these standards when an owner seeks historic tax credits.

Preservation Easements Tax Deductions: Preservation easements are private legal agreements between the donor and a qualified not-for-profit entity. The donor retains title to their historic property but grants the not-for-profit a legal interest and standing to enforce the terms of the easement. The donor may qualify for a state and federal tax deduction based on the value of their donation, provided the easement is perpetual. That deduction is based on the value of development rights extinguished by the easement, which limits the scope of permissible alterations and additions.