

Living in a Historic District Can Pay-Off. . . In Cash

If you have ever done work to your home, you are certainly aware that maintaining and updating your historic home can be quite costly due to rules governing your neighborhood. Yes, it is true that living in a historic district carries with it a responsibility to preserve and, in some cases, incur a great deal of expense to replace or update things in your homes. However, did you know that it also carries with it many tax incentives that can put cash in your pocket as well provide significant savings on your future property tax bills.

The State and City governments both offer incentive programs that help homeowners living in Historic Districts handle the expense of preserving the historic aspect of their homes. The State's program is a Refundable Income Tax Credit. To qualify, a homeowner must spend at least \$5,000.00 over a 24-month period in order to recoup 20% of their expense in the form of a tax credit. This means that if you spend \$50,000.00, you are eligible to receive a \$10,000.00 Income Tax Credit. If you only owe the State \$5,000.00 in tax, they will send you a check back for the remaining \$5,000.00. It is that simple. If you owe no State tax, you will simply receive a check back for \$10,000.00.

The City program is a Property Tax Abatement program whereby the homeowner must invest 25% of the full cash value as assessed by the State in order to receive a 10-year credit.

These programs all have rules and regulations associated with them as well as a bit of paperwork, which can be significant depending on the extensiveness of the work completed or to be completed. If you read into that last sentence, you may have answered the question that has been rolling around in your head since you read the words "Refundable Income Tax Credit." Can you get this credit on work you did in the past? The simple answer is, "Yes" if you finished the work in 2002 or after. The more difficult answer requires some investigation on the part of the homeowner or help from consultants who specialize in this field.

While every person is capable of doing the paperwork necessary to qualify for these programs, the rules and parameters governing the programs can be tricky and the State, in particular, is an "all or none program." What this means is that if you do one thing that disqualifies you from the program, all other work that may have otherwise qualified will not. There are some planning and legal strategies with which trained consultants can help to avoid these pitfalls. We often make the analogy that while everyone is capable of doing their taxes, most feel that their interests are better served to have an accountant handle their filings. The same holds true here. Our firm specializes in providing fair and affordable consultation to homeowners and if you don't qualify, we don't get paid.

If you are interested in having one of us look at your home to determine your eligibility, whether it be work that you are planning to complete in the future or work that you have already completed, we offer free no-obligation visits and are always available to answer questions over the phone. You can contact O'Connell and Associates at 410.837.5800.