

Valuation Incentive Program

A Property Tax Assessment Preference for Historic Properties

VIP assists in the preservation of Nebraska's historic places. The program allows a property tax "preference" for a historic property that has been rehabilitated. The preference can be described as a temporary "hold" on property tax assessment increases that result from improvements made to preserve a historic property.

REQUIREMENTS

The property must be designated as a "historically significant real property" before a project begins. Eligible properties are those individually listed in the National Register of Historic Places or historic properties that contribute to a district listed in the National Register of Historic Places. Under certain provisions, historic properties can be designated under a local government preservation ordinance. Contact the Nebraska State Historical Society to confirm the property's historical status, or to pursue National Register listing.

The historic property must be taxable.

The cost of the rehabilitation must be 25 percent or greater of the "base-year" assessed value of the property. The base-year is the last assessed value of the property at the time an application is submitted to the Nebraska State Historical Society.

An application must be made to the Nebraska State Historical Society before rehabilitation of the property begins. The Nebraska State Historical Society must approve all work before a project begins. An application must be submitted to the Nebraska State Historical Society requesting a "Preliminary Certification of Rehabilitation." The cost of work already completed will not qualify as allowable expenditures.

All work done to rehabilitate or improve the property must meet appropriate historic preservation standards. These standards are the Secretary of Interior's Standards for Rehabilitation.

All work must be made during a two-year period. Under certain circumstances the period to accomplish all project work may be extended beyond two years with the approval of the Nebraska State Historical Society. This may be when the size of the project is such that a good faith attempt to complete the rehabilitation in two years would not succeed or when it is economically infeasible to complete the rehabilitation in two years.

Certain types of work are not eligible. These include landscaping, new construction, driveways and sidewalks. For owner-occupied single-family residences, no more than thirty percent of the dwelling space can be new construction outside the existing building.

Upon completion of the project an application must be submitted to receive a "Final Certificate of Rehabilitation." The final certificate must be issued by the Nebraska State Historical Society in order for the assessment preference to be placed on the property. The final certificate is provided to the county assessor. The assessor will not implement the tax valuation preference until a final certification has been issued.

Additional work completed during the full twelve-year period of the tax preference must meet the Secretary of the Interior's Standards for Rehabilitation. If not, the preference will be revoked.

Taxes must still be paid under the terms of this program. The property is not removed from the tax rolls. This is not a tax exemption. Under certain cases, taxes may rise during the term that rehabilitation is in process. However, once the final certification is issued, the assessment will drop back to the base-year value and the "hold" will begin. Additional taxes paid due to a temporary assessment rise cannot be recouped.

ADMINISTRATION OF PROGRAM

This property tax preference was authorized by an amendment to Article VII, Section 2 of the Nebraska Constitution:

The Legislature may by general law, and upon any terms, conditions, and restrictions it prescribes, provide that the increased value of real property resulting from improvements designed primarily for the purpose of renovating, rehabilitating, or preserving historically significant real property may be, in whole or in part, exempt from taxation.

Furthermore, this program was implemented by LB66, passed by the Nebraska State Legislature. LB66 is codified in Nebraska statutes (Neb. Rev. Stat. 77-1385 through 77-1394). *

The parties involved in the program:

The State Historic Preservation Officer, the Director of the Nebraska State Historical Society, is the authorized official of the program. Reference to the authority of the State Historic Preservation Officer throughout this document is simply referred to as the "Nebraska State Historical Society," an agency of state government. The Nebraska State Historical Society's State Historic Preservation Office administers the program. The Nebraska State Historical Society may adopt or promulgate rules and regulations to carry out the provisions of this program.

The Nebraska Property Tax Administrator may also adopt or promulgate rules and regulations regarding the base-year value of historically significant real property. Guidance is also provided "Directive 05-9" (September 9, 2005) issued by the Nebraska Department of Property Assessment and Taxation.

The county assessor is not directly involved with the process for determining whether the property is historically significant nor is the assessor involved with the process of issuing preliminary or final certificates of rehabilitation. The assessor, however, will receive notification of the issuance of such certificates in order for the tax preference to be initiated.

In no way can the Nebraska State Historical Society provide advice or interpretation on matters involving tax assessment or property valuation.

*An annotated copy of Nebraska statutes (codified as Neb. Rev. Stat. 77-1385 through 77-1394) is available on request.

CASE STUDY

The information given in this example is for illustration purposes only. Each project will vary in substance and complexity.

A house has been listed in the National Register of Historic Places. Because the property is already listed in the National Register, the house qualifies as a “historically significant real property.” The homeowners have identified work that is needed to improve the property. That work consists of a new roof, paint, repair and restoration of the original porch, central air conditioning and rehabilitation of the house’s heating, plumbing and wiring.

Before any work is started, the homeowners submit a “Part 1” application confirming the house’s historic designation and a “Part 2” application requesting a “Preliminary Certificate of Rehabilitation” from the Nebraska State Historical Society.

Their Part 2 application outlines the following work items: the original roof had wood shingles and they prefer to replace the roof with wood shingles; the exterior needs to be prepared, primed and repainted; the porch will be restored and deteriorated columns repaired; new wiring will be installed; bathrooms upgraded; and a new furnace and central air-conditioning system installed.

The assessor values the property for \$50,000. This becomes the “base-year” value. The homeowners estimate that they will spend more than \$12,500 on the rehabilitation of the house. The estimate of the project, therefore, will exceed 25% of the base-year value.

The Nebraska State Historical Society determines that the work meets preservation standards. A “Preliminary Certificate of Rehabilitation” is issued.

The project now begins and progresses for two years, following the plans established in the application. *

The project is completed. All work has been done as described in their application for a “Preliminary Certificate of Rehabilitation.”

The homeowners submit a “Part 3” application requesting a “Final Certificate of Rehabilitation.” The Nebraska State Historical Society reviews the work, which was accomplished in accordance to the Secretary of Interior’s Standards for Rehabilitation, and issues a final certificate. A copy is sent to the assessor to authorize the tax preference. The preference now goes into effect.

THE TAX PREFERENCE

Years 1-8 The assessor values the property at no more than \$50,000 (the base-year).

Year 9 After eight years the assessed value is now “stepped up” at 25% for the next four years. The assessor values the property at \$140,000 and calculates the base-year value plus 25% of the difference between the actual value and the base-year value. The 25% value is calculated by $\$140,000 \text{ minus } \$50,000 = \$90,000 \times .25 = \$22,500$. The value for this year should be \$72,500 (\$22,500 plus the \$50,000 base-year value).

Year 10 The value of the property remains at \$140,000. The assessor calculates the property tax at base-year value plus 50% of the difference between the base-year value and actual value. The value for this year should be \$95,000.

Year 11 The value of the property increases to \$150,000. The assessor calculates the property tax at base-year value plus 75% of the difference between the base-year value and actual value. The value for this year should be \$125,000.

Year 12 The assessor values the property at its full actual value of \$150,000.

**During the term the project is in process, it is possible that taxes may rise due to reassessments or tax equalization.*

APPLICATION SUBMITTAL

Telephone, email, electronic reproductions or FAX transmittals will not be accepted as a substitute for any or all portions of the application. A copy with original signatures is submitted to the Nebraska State Historical Society. Mail or deliver completed applications to:

Nebraska State Historical Society
State Historic Preservation Office
P.O. Box 82554
Lincoln, NE 68501-2554

Overnight or express:
1500 R Street
Lincoln, NE 68508

APPLICATION INSTRUCTIONS

Read the following instructions carefully before filling out the attached application. Type or print clearly. Note that there are processes that must be followed and submit applications well before work is scheduled to begin.

The applicant is fully responsible for all content of the application and any other information that may be required. The Nebraska State Historical Society will provide guidance in the development of an application, but cannot complete any parts on behalf of the applicant.

If an application is insufficient it will be returned for correction or improvement. In cases where inadequate information is provided, review and evaluation cannot be completed and may result in lengthy delays in the processing of the application.

Photographs are required where called out in the applications. When appropriate, architectural plans, specifications, drawings or other materials will be required to supplement applications. All material submitted become the property of the Nebraska State Historical Society. Materials cannot be returned. Retain a full copy of your application for future reference.

The application consists of three parts: Parts 1 and 2 are submitted before any work begins. Part 3 is submitted upon completion of the project.

Part 1 is used to determine if the property qualifies as "historically significant real property." This is defined as a property that is listed in the National Register of Historic Places or a historic property that contributes to a district listed in the National Register of Historic Places (or in other cases where a locally-designated property will qualify)

Contact the Nebraska State Historical Society to determine if your property has been designated or how designation can be proposed. A project will not qualify unless historical designation is obtained before the project is started. The applicant is fully responsible for the process of obtaining National Register status (or local designation).

Part 2 is used to describe proposed project work and obtain a "Preliminary Certificate of Rehabilitation." This application must be submitted, reviewed and approved by the Nebraska State Historical Society before any project work begins. Upon receipt of a complete application, the Nebraska State Historical Society has 30 days to issue (or reject) the "Preliminary Certification of Rehabilitation." Site visits by staff of the Nebraska State Historical Society will be scheduled and this deadline may be extended for up to an additional 45 days.

APPLICATION INSTRUCTIONS (continued from Page 4)

The numbered blocks are used to divide the project into work items. In the numbered blocks to the left, describe the existing condition of architectural features, exterior or interior spaces, and other areas where work will be proposed. Review all work items to assure that they address the *Secretary of the Interior's Standards for Rehabilitation*. If more numbered blocks are needed, use additional sheets.

Describe the work items as you would normally call out for the services of a professional contractor: roofing, electrical, heating-ventilation-air conditioning, exterior painting, interior remodeling, carpentry, etc.

Photographs showing the existing conditions of the property and areas of project work are required to accompany each block. Photographs must be labeled with a description and numbered to the particular block.

Keep in mind that the photographs and other materials you are providing should present your project as if being reviewed by someone who is not familiar with the property or its details.

In the numbered blocks to the right, provide a detailed description of proposed project work items.

Project work items may be supplemented by citing that the work will be accomplished in strict conformance to an appropriate issue of the National Park Service series of "Preservation Briefs. Copies are available by contacting the Nebraska State Historical Society or website noted on the last page of this booklet.

When appropriate, architectural plans, specifications, drawings or other materials may be required to supplement the description of work. These are required depending on the complexity of the project or if proposed work includes major alterations or new construction. They must be sufficiently detailed to show proposed alterations or construction. Documentation may include floor plans and, where necessary, sections and elevations. All drawings, plans and specifications submitted with the application should be keyed to the appropriate block(s).

Some types of work must be given special attention. These commonly include windows, significant changes to the existing floorplan, removal of significant architectural features, introducing modern elements that are not in keeping with the historic property, exterior masonry cleaning, exterior masonry repair such as tuck-pointing, new additions, storefront alterations to commercial buildings, and new construction on the site.

This form requires a certification from the county assessor stating the assessed valuation of the real property that was last certified, or as finally determined if the property tax was appealed. This certification is included on the first page of the Part 2. When presenting this form to the assessor, you must have already signed the application. The Part 2 with all original signatures is then submitted to the Nebraska State Historical Society.

APPLICATION INSTRUCTIONS *(continued from Page 5)*

Upon receipt of an application, staff of the Nebraska State Historical Society will conduct a site visit.

Project Amendments: Deviations or changes to any work submitted on the initial application or additional work that is proposed but not included in the initial application must be submitted as an amendment. These must be submitted before that work begins. In amending a project, submit changes using the Part 2 numbered blocks and clearly note "amendment." Deviations, changes or additional work that has not been reviewed and does not meet the Standards for Rehabilitation will result in denial of the project.

Part 3 is used upon completion of the work and to obtain a "Final Certificate of Rehabilitation." All work accomplished must be in accordance with the approved Part 2 application. The Part 3 application is consistent with the format of the Part 2.

Upon completion of all work this form must be returned with photographs that show each of the work items as completed. Use similar views that were submitted with the Part 2 as a guide to the photo documentation that must be provided.

Staff of the Nebraska State Historical Society will conduct a site visit when work has been completed.

The applicant is responsible for maintaining records that document expenditures.

Upon approval of a "Final Certificate of Rehabilitation," the owner is notified and within seven days the Nebraska State Historical Society will provide the county assessor with both a copy of the Part 3 and letter certifying the project's eligibility. When this certificate is issued, the property tax valuation is approved as calculated on the "base-year" value established by approval of the initial Part 2. The preference now begins for an eight year period, followed by four more years when the assessed value is "stepped up" by 25% a year.

THE SECRETARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION

These ten *Standards for Rehabilitation* are issued by the U.S. Secretary of the Interior and codified in CFR Part 67. They have been adopted for use in the review and approval of projects under this program. Contact the Nebraska State Historical Society for these and supplemental publications or go to the website listed at the end of this section.

1. A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.
2. The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.
3. Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.
4. Most properties change over time; those changes that have acquired historic significance in their own right shall be retained and preserved.
5. Distinctive features, finishes, and construction techniques or examples of craftsmanship that characterize a property shall be preserved.
6. Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities and, where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.
7. Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.
8. Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.
9. New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize a property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.
10. New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

The "Standards" are supplemented with more detailed information, called the "Guidelines for Rehabilitating Historic Buildings." A series of "Preservation Briefs" and "Preservation Tech Notes" are also issued by the National Park Service and provide good information for rehabilitating historic buildings and structures. Contact the Nebraska State Historical Society or go to the following website for these informative publications: www.cr.nps.gov/hps/tps/care/