

# TAX INCENTIVES FOR HISTORIC PRESERVATION

## *What is the Mills Act Program?*



**T**he Mills Act is an economic incentive program in California for the restoration and preservation of qualified historic buildings by property owners. En-acted in 1972, the Mills Act legislation grants participating cities and counties the authority to enter into contracts with owners of qualified historic properties who

actively participate in the rehabilitation, restoration, preservation, and maintenance of their historic properties. The Mills Act permits property tax relief to offset these costs.

Mills Act contracts are for an initial term of 10 years. A contract automatically renews each year on its anniversary date and a new 10-year agreement becomes

effective, creating a "rolling" contract term that is always equal to the initial contract term.

## *How does the property tax relief work?*

After a property owner enters into a contract, the county assessor will annually determine the value of Mills Act properties based upon a prescribed capitalization rate as provided for in Revenue And Taxation Code section 439.2 (b) or (c). This is the restricted value. The county assessor then compares this restricted value to the current market value and the factored base year value (also known as the "Proposition 13" value). The lowest of the three values is then enrolled.

What is a qualified historic property?

A qualified historic property is a property listed on any federal, state, county, or city register, including

the National Register of Historic Places, California Register of Historical Resources, California Historical Landmarks, State Points of Historical Interest, and locally designated landmarks. Owner-occupied family residences, multi-family complexes, and income-producing commercial properties may qualify for the Mills Act program, subject to local regulations.

The restricted value can be considerably lower than the other values creating a tax savings for the property owner. Since all properties are assessed annually, Mills Act properties may undergo increases or decreases in property taxes each year as market conditions change.

For more information,

please see the State Board of Equalization Guidelines provided for use in assessing properties under the Mills Act. [www.boe.ca.gov/proptaxes/pdf/lta05035.pdf](http://www.boe.ca.gov/proptaxes/pdf/lta05035.pdf)

How do buildings qualify for the Mills Act?

In order to qualify, the structure must be a designated historic building. The designation can be at the local, state, or national level. As a general rule, to qualify as historic, a building must be at least 50 years old and be a good example of a particular architectural style or be associated with a person or event of local, statewide, or national historic importance.



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*How can I get my property registered or find out if my property qualifies for the Mills Act Program?*



Each city and county may have different procedures for local historic designation. Contact the Planning or Community Development Department of your local government to confirm whether they participate in the Mills Act Program, the criteria that would need to be met, and the application process. Your building may already be considered a contributing structure to an established historic area. Also, many buildings that were not designated as historic on past surveys may now be eligible to qualify as historic.

“EACH MUNICIPALITY MUST ADOPT THE MILLS ACT AND MUST MAKE THE DECISION TO OFFER THIS PRESERVATION PROGRAM.”

*If my property is on a historic register, do I automatically qualify for the reduced property taxes?*

No, you must enter into a contract with your local government and that contract has to be signed and recorded before the county assessor can annually apply the restricted valuation method.

*Is there a cost to placing my property on a Mills Act contract?*

There is an administrative cost associated with filing the paperwork. Local governmental agencies will differ somewhat in their fees.

*I am disappointed that my city does not participate in the Mills Act Program. Why don't all the cities in California have such a program?*

Each municipality must adopt the Mills Act and must make the decision to offer this preservation program. Historic preservation is included in the general plan of some cities as a revitalization tool which can also bring cultural tourism and local reinvestment. Some cities or counties may not have the same needs for such a program.



*My property or a property I am considering buying is already under a Mills Act contract. What does that mean to me as a property owner?*

Mills Act contracts are for 10 years initially with automatic yearly renewal, and the contract stays with the property when transferred. Subsequent owners are bound by the contract and have the same rights and obligations as the original owner who entered into the contract. Because the local government and the property owner negotiate other specific terms of the contract, you should contact your local government to determine the rights and obligations a Mills Act contract creates.



*I am planning to buy a property under a Mills Act contract for \$500,000 that is currently assessed for \$350,000. Will I receive a supplemental bill for the change in ownership?*

No. Even though the county assessor is required to establish a new base year value for property upon a change of ownership, supplemental assessments are not enrolled for properties under the Mills Act contract. Establishment of the new base year value merely enables the county assessor to perform a three-way value comparison and to calculate the assessed values if the Mills Act contract enters non-renewal status.

*I want to add on a family room to my home which is under a Mills Contract. How will this affect my assessed value?*

Since the new construction would not qualify as historical the market value of new construction (room addition) will be added to the restricted value of the property to arrive at a new assessed value.

*Under a Mills Act contract, will I have to open my home for inspection by city or county officials?*

Under legislation enacted on September 7, 2011, the city must inspect the property prior to entering into a Mills Act contract with a property owner, and conduct interior and exterior inspections every 5 years thereafter to determine the owner's continued compliance with the contract.

*Once my contract is recorded, will my property be reassessed as of that day?*

No. Your property will be assessed on the lien date (January 1) of the next calendar year in which your contract was recorded. You should see the tax benefits beginning the ensuing fiscal year.

MILLS ACT  
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FOR 10 YEARS  
WITH AUTOMATIC  
YEARLY RENEWAL”

*I purchased a historical property that is in need of considerable renovation; will the reconstruction of it be considered "new construction"?*

The Mills Act contract typically specifies the scope and type of any work to be performed on the historical improvements. This work would not be considered new construction and is subject to the valuation procedures of section 439.2, unless said work constitutes a change in the use of the property, or is sufficient in scope to constitute a "Major Renovation" to the property. Such work would result in additional assessed value, but would still

receive the benefit of the Mills Act assessment method. One other type of new construction that could be eligible as reconstruction under the Mills Act contract is when the new construction is "accurately executed in a suitable environment and presented in a dignified manner as part of a restoration master plan, and when no other building or structure with the same association has survived."

IF YOU EVER DISAGREE WITH THE ASSESSED VALUE OF YOUR PROPERTY, YOU SHOULD CONTACT THE ASSESSOR'S OFFICE TO REQUEST A REVIEW OF THE VALUE.



**HOW IS THE OWNER-AFFECTED?**

*I just purchased a property that has been under a Mills Act contract for many years. I'm thinking of not renewing the contract. What do I need to do?*

You must serve written notice of non-renewal of the contract at least 90 days prior to the anniversary renewal date, otherwise one year will automatically be added to the term of the contract (if the local government decides not to renew, they need only provide a 60-day notice). The existing contract will remain in effect for the balance of the period remaining since the original execution or the last renewal of the contract. The first year of non-renewal will have nine remaining years.

*Will I still receive property tax benefits once I provide notice of non-renewal?*

You may still receive tax benefits; however, the maximum tax benefits will be reduced each year as the historical property assessed value gradually approaches the factored base year value (Proposition 13) as the remaining term under the contract decreases.

*What are the consequences if I decided to cancel my Mills Act contract?*

You would be required to pay a cancellation fee equal to 12.5 percent of the current fair market value of the property (not your restricted value). Your property will then be assessed at the lower of the factored base year value or current market value for the ensuing lien date.

Alternatively, your local legislative body may take court action to enforce the contract, such as requiring specific performance or an injunction.



*Would I have to pay the 12.5 percent cancellation fee if the planning department cancelled my Mills Act contract?*

If the contract was cancelled for reasons other than a breach of the contract by you, a cancellation fee will not apply.

*I haven't had time to work on my property for a while. Can the planning department cancel my contract because they say my property has deteriorated and no longer meets the standards of a historical property?*

Yes. This can be considered a breach of contract and the municipality can cancel your contract. You will also be penalized with a 12.5 percent cancellation fee. Alternatively, you may be able to make arrangements with your local agency to continue with the restoration work.

*I still have questions about the Mills Act. Where can I get additional information?*

If you still have questions regarding the property tax benefits of the Mills Act, you may call the State Board of Equalization at 916-274-3350. You may also contact your local governmental agency that administers the program in your city or county or you may call the California Department of Parks and Recreation's Office of Historic Preservation at 916-445-7013. Additional information on the Mills Act is available from the Office of Historic Preservation's website at [www.ohp.parks.ca.gov](http://www.ohp.parks.ca.gov). You may also contact the Los Angeles County Assessor's Office.



“IF YOU STILL HAVE QUESTIONS REGARDING THE PROPERTY TAX BENEFITS OF THE MILLS ACT, YOU MAY CALL THE STATE BOARD OF EQUALIZATION AT 916-274-3350”



### *For More Information:*

You may also contact us for any other general property tax questions, on a 24 hours a day basis, in the following ways:

- ◆ Assessor's Website: To research comparable sales, verify valuations, download forms, learn how appraisals are made, and more, visit: <http://assessor.lacounty.gov>
- ◆ Assessor's Email: Send your questions, comments, and suggestions to: [helpdesk@assessor.lacounty.gov](mailto:helpdesk@assessor.lacounty.gov)
- ◆ Los Angeles County Property Tax Website: General information regarding property taxes, including how to read your tax bill and where to find answers to your questions. Visit: <http://www.lacountypropertytax.com>
- ◆ Property Information Hotline: Minimal wait times, averaging less than a minute. Fast transfers to expert staff during normal business hours. Just call toll free 1.888.807.2111.
- ◆ Automated Interactive Voice System: Information on valuations and taxes can be obtained by entering the Assessor Identification Number from a property tax bill.
- ◆ Call 213.974.3838 or the toll free number above.



Si desea ayuda en Espanol, llame al numero 1.888.807.2111



*Valuing People  
and Property*

### *Assessor's Public Service Locations*

#### **Main Office**

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 225  
Los Angeles, CA 90012-2770  
1.888.807.2111

#### **North District Office**

13800 Balboa Boulevard  
Sylmar, CA 91342  
818.833.6000

#### **South District Office**

1401 E. Willow Street  
Signal Hill, CA 90755  
562.256.1701

#### **East District Office**

1190 Durfee Avenue  
South El Monte, CA 91733  
626.258.6001

#### **West District Office**

6120 Bristol Parkway  
Culver City, CA 90230  
310.665.5300

#### **Lancaster Regional Office**

251 East Avenue K-6  
Lancaster, CA 93535  
661.940.5700