



FAQs - Historical Property/Mills Act

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1. What is the Mills Act Program?

The Mills Act is an economic incentive program in California for the restoration and preservation of qualified historic buildings by private property owners. Enacted in 1972, the Mills Act legislation grants participating local governments (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. Since the costs of doing so can be prohibitive, property tax relief can offset these costs.

In 1976, California voters passed Proposition 7, amending Section 8 of Article XIII of the California Constitution requiring enforceably restricted historical properties be valued on a basis that is consistent with its restrictions and uses. [Sections 439 through 439.4](#) of the Revenue and Taxation Code sets forth the statutory authority for the assessment of Mills Act properties. Essentially, it provides that valuation of the property be determined by the income approach rather than a sales data approach, even for an owner-occupied single-family residence.

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.

2. 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 an income approach to value using a prescribed capitalization rate as

provided for in [section 439.2 \(b\) or \(c\)](#). This is the restricted value. The county assessor then compares this restricted value to the current market value (using the income approach with market capitalization rate or sales data approach) and the factored base year value (also known as the "Proposition 13" value). The lowest of the three values is then enrolled.

The restricted value can be considerably lower than the other values creating a tax savings to the property owner, especially if the building was recently purchased. As all properties are assessed annually, Mills Act properties may realize increases or decreases in property taxes each year as market conditions change.

For more information, please see the [Guidelines](#) that the State Board of Equalization has provided for county assessors for use in assessing properties under the Mills Act.

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3. 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.

4. Will any old building qualify for the Mills Act?

No. 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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5. 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.

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

Contact the Planning Department or Community Development Department of your local government to find out if your local government participates in the Mills Act Program, what the local criteria are, and what the process is for applying. Each city and county may have different local procedures for local historic designation. Your building may already be considered a contributing structure to an established historic area. Also, many buildings that were listed on past local historic building surveys may not have been designated when the survey was done but may now qualify as historic.

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

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

8. 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 extensions, 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.

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9. 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. The three-way value comparison is where the county assessors enrolls the lesser of the restricted value (Mills Act), the current market value, or the factored base year value (Proposition 13).

10. 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 be a qualified historical property, the market value of new construction (room addition) will be added to the restricted value (Mills Act) of the remainder of the property to arrive at a new assessed value for the total property.

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11. 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 are subject to the valuation procedures of section 439.2.

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."

12. 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.

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

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

14. Are there filing deadlines when applying for the tax savings with the Mills Act?

In many cities or counties, an owner may apply any time during the year. If you want it to reflect on the January 1 lien date, it would be best to apply by the fall of the prior year in order for the tax savings to be realized.

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15. Do I have to open my home to the public if I have a Mills Act contract?

No. In 1984 the Mills Act was changed so that you never have to open your home to the public as a condition of your Mills Act contract.

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

If you signed your contract prior to January 1, 2012, your contract probably contains language that allows for a periodic inspection of the historical property. Usually an inspection would only be requested when an owner was suspected of violating the Mills Act contract. Effective January 1, 2012, the law now requires an inspection of the interior and exterior premises by the local government prior to a new Mills Act contract and every five years thereafter, to verify that the owner is fulfilling the terms of the contract.

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17. 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.

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

You may still receive tax benefits; however, the restricted value is determined by a method set forth in [section 439.3](#) rather than the method set forth in section 439.2. Your property's value determined by section 439.3 will be used in the three-way value comparison until the end of your contract period. Generally, this valuation method provides a value that gradually approaches the historical property's factored base year value (Proposition 13) as the remaining term under the contract decreases.

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19. 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 injunction.

20. I haven't had time to work on my property for awhile. 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 in the contract and the city can cancel your contract. You will also be penalized with a 12.5 percent cancellation fee. Alternatively, you may be able to work something out with your local agency to continue with your restoration work.

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

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

22. 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. If you have a questions regarding a Mills Act contract, 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 916-653-6624. Additional information on the Mills Act is available from the Office of Historic Preservation's website at www.ohp.parks.ca.gov

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