

Tax Breaks on Historic Houses Face Restrictions

A POPULAR tax break for homeowners in historic districts may soon face some harsh restrictions, including increased penalties for owners, appraisers and promoters who help file inflated claims.

The tax breaks are provided to homeowners who donate easements — legal restrictions on deeds to their homes — to nonprofit preservation groups. In exchange for a promise to maintain their facades, homeowners are able to deduct the value of the easement set by an appraisal.

But as property values have risen, so have the size of the easements, along with complaints that appraisers are providing hundreds of thousands of dollars in tax breaks to individual homeowners who promise not to change facades, even where the facades are already protected by landmarks laws.

On Dec. 17, after several reports of complaints, the Republican and Democratic leaders of the Senate Finance Committee announced that they had agreed to push for legislation to restrict the value of easements, increase fines and create new fines for those who significantly overvalue properties.

In the announcement, Senator Charles E. Grassley of Iowa, the Republican committee chairman, and Senator Max Baucus of Montana, the ranking Democratic member, said they intended to make the changes retroactive to Dec. 17, the date of their announcement, to prevent a sudden rush of new applicants.

"It's very discouraging to find yet another example of snake oil salesmen misusing tax-exempt status," Senator Grassley said in a statement. "The snake oil salesmen are con-



David Scull / Bloomberg News

LEGISLATIVE PUSH

Senator Charles E. Grassley, Republican of Iowa, is seeking a tax change.

ning many well-intentioned homeowners into this newest scam."

Eric Haims, a Manhattan appraiser and vice president of Jerome Haims Realty, said that he was unaware of the committee's plans, and that it had no effect on the rush of last-minute appraisals requested so homeowners could qualify for the easement and tax deductions on 2004 tax returns.

He said that there were well-established methodologies, including "tons of books," on setting an appraisal value for an easement. Appraisers do not set out to find a particular value, he said, but evaluate a property based on comparable sales with and without the easement.

Facade easements have been available since 1976, and were a tool used on occasion

by long-established preservation groups like the New York City Landmarks Conservancy, often in connection with large commercial buildings.

But in the last few years, some newer groups, like the National Architectural Trust, have heavily marketed the program to individual homeowners in landmarked neighborhoods. In January, for instance, the group's Web site, www.narchtrust.org, listed four neighborhood seminars in churches in New York City: on the West Side, in Harlem and in Park Slope and Fort Greene, Brooklyn.

James M. Kearns, the president of the Architectural Trust, has acknowledged that his group was "more proactive" than traditional preservation groups, but had the same goal: safeguarding "historic and architecturally significant neighborhoods."

In a statement, he said that the architectural trust had "absolutely followed" government regulations and guidelines and supported efforts to "remove any abuse" in the program, and would welcome clarification of the way easements are appraised. Several long-established groups said they, too, welcomed the proposed legislation, as a way of building public confidence in what they see as an important preservation tool.

Richard Moe, president of the National Trust for Historic Preservation, a 50-year-old national preservation group, blamed the problems on "aggressive easement-promoting organizations."

"These abuses," he said, "help foster the mistaken impression that easements are nothing more than a lucrative tax dodge for the well-to-do." JOSH BARBANEL