

DOES YOUR AGENT KNOW THAT HISTORIC TAX CREDITS ARE AN INSURABLE ASSET? ARE YOURS PROTECTED?

WRITTEN BY: CONNIE STOTHOFF AND GENNY DILL – NATIONAL TRUST INSURANCE SERVICES

Although the Federal Rehabilitation Tax Credit has been around since 1976, it was not until the last few years that Historic Tax Credits have played such a vital role in housing and commercial redevelopment. Restoring historic buildings has become very fashionable, with more and more young investors and grass roots foundations actively seeking historic properties to restore, and larger corporations actively looking to purchase the tax incentives that result. Some states are getting into the act by creating additional state-level tax incentives for restoring historic property. In some areas of the country you can qualify for up to 45% of your restoration costs in tax credits! For some theatres this could mean millions of dollars of Historic Tax Credits.

This resurgence in revitalization and creative use of Historic Tax Credits has also created a strong desire to protect what has become a valuable asset to many preservation-minded organizations. Once the credits are approved for a project they are considered to be an asset, whether they are sold to a third party for an up-front lump sum, or kept to use as a future write off for your own tax liability. Like any other asset you should make sure that your Historic Tax Credits are protected against loss for the life of, and the declining equity of, the credit. As quickly as a fire destroys a valuable piece of architectural history, it

also destroys the viability of the Historic Tax Credit.

Insurance for Historic Tax Credits is relatively new with few insurance companies willing to insure them, and even fewer insurance agents knowing this coverage exists.

As an innovative insurance expert mindful of the needs of its preservation-oriented clientele, National Trust Insurance Services (NTIS) has partnered with several leading insurance companies in creating policy forms specific to this unique coverage. Through NTIS, Historic Tax Credit Coverage can be endorsed to the property policy for buildings under renovation, as well as already restored buildings. This coverage affords financial protection to the holder of the Historic Tax Credit, in the event of a covered property loss that results in the recapture of the credit—such as a major fire or other catastrophe.

Recently, National Trust Insurance Services provided an insurance program to a local historic theatre in Baltimore. The Insurance Program increased their Replacement Cost Value of their building, added Volunteer Medical Accident coverage to protect their volunteers, and added coverage to protect their Historic Tax Credits that were estimated at over \$7,000,000.

While all of the coverages provided are equally important—it

was most important to the theatre to properly protect their organization and the community's investment. To have the Historic Tax Credits recaptured after a loss would cripple or even close the theatre forever.

Luckily the insured contacted us prior to their renewal and we were able to provide protection for this valuable asset with NO increase in their overall premium.

For information on how to insure your Historic Tax Credits, please contact National Trust Insurance Services at 1-866-269-0944.

Contact Information:

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CORRECTION:

In the last issue, we referred to author Craig Morrison as a "former LHAT member." The reference should have been "former LHAT **board** member."