

Tax incentives for new construction and substantial rehabilitation overview

Local jurisdictions interested in boosting the overall supply of housing (or the supply of a particular type of housing, such as rental housing) can create tax incentives to encourage the creation of new homes.

Some jurisdictions stimulate new residential development by offering property tax abatements that lower the amount of taxes owed for a specified period of time. Alternatively, property tax incentives can be structured to exempt, for some period of time, increases in the assessed value of a property that would otherwise result from new construction. Both abatements and exemptions can also be used to support the rehabilitation of older homes that have fallen into disrepair, providing a reduction in taxes or simply reducing or eliminating incremental taxes that would otherwise result from improving the property.
