



The Mills Act: History May Provide Tax Relief

Assessor Rolf Kleinhans and his team want to educate the public about potential tax relief available through the Mills Act. This California program provides financial incentives for property owners to restore and preserve qualified historic buildings in exchange for reduced property taxes. Enacted in 1972, the Mills Act allows cities and counties to enter contracts with historic property owners who commit to rehabilitation, restoration, and maintenance of the property.

A 10-Year Contract

Mills Act contracts have a minimum initial term of 10 years. The contract automatically renews each year on its anniversary date for an additional year, thus unless the City or owner files a notice of non-renewal, a Mills Act contract has a term of 10 years. If a contract is cancelled, the owner must pay a cancellation fee, and then the lower of the factored base year value or current market value will be enrolled for the following lien date (January 1).

How Does It Work?

After a property owner enters into a Mills Act contract, the Assessor is notified by the local contracting government agency, and the property is then valued under the rules and regulations of the Mills Act and Revenue and Taxation Code. Property valuation is determined by the "income" approach, which is based on projected income for both owner occupied and income producing properties. Then the projected income, less certain expenses, is divided by a capitalization rate determined annually by the California State Board of Equalization and *Revenue and Taxation Code section 439.2 (b) or (c)*. This value is the property's "restricted value". This value is then compared to both the current market value and the factored base year value of the property. The lowest of these three values is then enrolled. This valuation process occurs every year as of January 1. Properties enrolled in a Mills Act contract are notified by mail of their Mills Act values for that year as determined by the Assessor.

The restricted value can be considerably lower than the other values, creating tax savings for the property owner. For more information, please see the [State Board of Equalization Guidelines](#).

City Planning Officials Make Determination

At this time in Nevada County, the Town of Truckee is the only participant in the Mills Act program. It is recommended that property owners contact the Planning Department to determine what historic criteria their property would need to meet, and how the application process works. It is possible that the building may already be considered a contributing structure to an established historic area.

If you have any additional questions, please contact our office by phone ([530-265-1232](tel:530-265-1232)) or email (assessor@nevadacountyca.gov). For additional pertinent property tax information, please visit our website at <https://www.nevadacountyca.gov/assessor>.