Tax abatements and exemptions overview

Some communities offer property tax incentives to developers who create or preserve affordable housing. These benefits can be structured in a variety of ways depending on local goals, but generally take one of two forms: abatements or exemptions.

Property tax abatements directly reduce the amount of taxes owed for a specified period, and can be offered as an incentive to encourage the construction or rehabilitation of buildings that include a share of affordable units. Property tax exemptions reduce the property’s assessed value that is subject to taxation, thereby resulting in a lower tax bill. Exemptions are commonly offered to encourage rental property owners to make upgrades that improve the condition of lower-cost units. The increased value resulting from the upgrades is excluded from property tax calculations for a defined period. Abatements can be used to directly offset the costs of improvements. Some communities also offer tax abatements or exemptions to owners who participate in project-based rental assistance and other housing subsidy programs.

Note: Communities can also provide tax relief to income-qualified homeowners, to help them stay in their homes as their property tax bills increase. Click here to access a description of this policy option.