Prosperity through Preservation

Protect and Enhance the Historic Tax Credit

Preserve and Enhance the Federal Historic Tax Credit

- The Historic Tax Credit (HTC) **encourages private investment** in the rehabilitation of historic buildings. The credit attracts private capital—$131 billion since inception—to revitalize often abandoned and underperforming properties that have a financing gap between what banks will lend and the total development cost of the transaction.

- The credit in turn generates new economic activity by leveraging private dollars to preserve historic buildings and create jobs; through 2016, the rehabilitation of 42,293 historic buildings has **created more than 2.4 million jobs**. The HTC can be adapted to provide targeted and timely economic help to areas with special needs. For example, the HTC was temporarily increased to 26% to help rebuild New Orleans after Hurricane Katrina through the GO-ZONE Act of 2005.

- The HTC **benefits local communities**, especially our nation's urban core and rural areas. Over 40% of projects financed in the last fifteen years are located in communities with populations of less than 25,000.

- In addition to revitalizing communities and spurring economic growth, the HTC **returns more to the Treasury than it costs.** In fact, Treasury receives $1.20-1.25 in tax revenue for every dollar invested. According to a study commissioned by the National Park Service, since inception, $23.1 billion in federal tax credits have generated more than $28.1 billion in federal tax revenue from historic rehabilitation projects

- **Tax reform aimed at growing the economy should enhance, not diminish the HTC.** Historic rehabilitation projects frequently have higher costs, greater design challenges, and weaker market locations—all of which results in lender and investor bias against investments in rehabilitation. The Historic Tax Credit Improvement Act enjoys solid bipartisan support and would enhance the HTC by directing more investment to small business transactions along older Main Street corridors. Specifically, the bill creates a 30% credit for small deals to make these transactions more attractive to outside investors who tend to favor much larger investment opportunities. In addition, the bill allows the historic tax credits in these small transactions to be transferred with lower transaction costs, as a tax certificate, making it easier for small business owners to bring outside investment into smaller transactions.

Historic Tax Credit Coalition | 202.567.2900 |
www.historiccredit.com

National Trust for Historic Preservation | 202.588.6000 |
www.savingplaces.org

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Background:

- The HTC was initially enacted in 1978 and made permanent in the tax code in 1986.

- Thirty-four states across the country, including Louisiana, Wisconsin, Texas, Ohio, Missouri, North Carolina, and Virginia, recognize the economic development potential of historic rehabilitation and have enacted individual state Historic Tax Credit programs that work in tandem with the federal program.

- As an economic activity, historic rehabilitation greatly outperforms new construction in job creation. Rehabilitation project costs are on average 60 percent labor and 40 percent materials compared to new construction, which is about 40 percent labor and 60 percent materials. In addition to hiring local labor, historic rehabilitation materials are more likely to be purchased locally. As a result, approximately 75 percent of the economic benefits of these projects remain in the communities where these buildings are located.

- The HTC is administered by the National Park Service and the Internal Revenue Service in conjunction with the State Historic Preservation Offices. It is comprised of two distinct and separate tax credits used to rehabilitate historic buildings including vacant schools, warehouses, factories, retail stores, apartments, hotels and office buildings throughout the country:

    - The 20 percent credit. The 20 percent credit applies only to certified historic structures. A certified historic building is one that is listed individually on the National Register of Historic Places, or contributes to the character of a National Register-listed Historic District. The 20 percent credit is available for any income producing property, including residential rental projects.

    - The 10 percent credit. The 10 percent credit is for the rehabilitation of non-historic, non-residential buildings built before 1936.