The Economic Impact of Louisiana’s Historic Tax Credit Program

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EXECUTIVE SUMMARY

• In 2002, the Louisiana Legislature passed RS 47:6019, Louisiana’s Historic Tax Credit program aimed at the rehabilitation of Historic Structures. The Historic Tax Credit Program is administered by the Division of Historic Preservation, which is part of the Office of Cultural Development in the Department of Culture, Recreation, and Tourism. The program offers a 25% tax credit for the rehabilitation of historic properties that are eligible.

• Currently, 31 states have historic tax credit laws. Louisiana joined that list in 2002. Neighboring states of Mississippi and Arkansas also have state historic tax credit laws. The state of Mississippi has just amended its legislation to create a very powerful tax credit that could serve to attract capital from the state of Louisiana.

• The purpose of this report is to estimate the economic impact of this program as it has been utilized in Louisiana. The approach in this report looks at both the benefits of the programs in terms of spending, jobs created, and tax revenue created and the costs of the program in tax revenues given up through the credit. The approach is very conservative and only looks at net, new economic activity for the state.

• In the period since 2002, the Louisiana program has made 117 historic renovations possible. Those 117 projects have stimulated $651.13 million in new investment in rehabilitating historic properties, most of which would have continued to deteriorate without the program. The cost to the state for this investment has been $140.59 million in tax credits.

KEY FINDINGS:

✓ The Louisiana Historic Tax Credit program has generated $651.13 million in historic restoration construction at the cost of $140.59 million in tax credits.

✓ In total, the construction and operations of the projects supported by the Louisiana HTC created a total of $142.51 million in new State tax revenue.

✓ The projects supported by the HTC have created 11,034 construction jobs and 5,711 permanent jobs in the State.

✓ In total, the construction and operations of the projects supported by the HTC created a total of $104.76 million in new tax revenue for local governments.

✓ For every dollar that the state has invested in the program it has or will collect $3.22 in new tax collections, measured in 2011 dollars.
CONSTRUCTION PHASE:

• Over the eight-year history of the program, the projects supported have generated $651.13 million in direct spending, $551.95 million in secondary spending for a total impact on the Louisiana economy of $1,203.08 million or $1.20 billion. This constitutes a major influx of capital and spending over a relatively short period of time.

• The spending associated with the construction phase of this project supports, either wholly or in part, a total of 11,034 jobs in the state. The construction phase of the project will also create $369.15 million in income for residents of Louisiana.

• Over the eight-year existence of the Historic Tax Credit program, the construction projects made possible by the credit have created a total of $36.00 million in incremental revenue for the state of Louisiana and $22.90 million of new revenue for local governments. The combined impact is $58.90 million.

OPERATIONS PHASE:

• The projects supported by the historic tax credit program support a total of $293.67 million in direct spending annually in the state’s economy. The direct spending creates an additional $213.07 million in secondary spending for a total increase in the economy of $506.73 million. Thus, over the eight-year history of the program, the Louisiana Historic Tax Credit program has created over a half a billion dollars in new spending in the state’s economy. This new spending is annual spending thus will continue in the state’s economy for the entire economic life of the projects.

• On an annual basis, the projects create $147.29 million annually in income for Louisiana residents and support a total of 5,711 permanent jobs in the Louisiana economy. This income and these jobs are a permanent part of the economy in the areas affected.

BENEFIT/COST ANALYSIS

• On an annual basis, the projects create $29.99 million in recurring state tax revenue and $25.10 million in recurring local tax revenue for a total of $55.10 million annually to support state and local government. In analyzing the present value of the entire life of all projects, the return to the state of Louisiana is remarkable. The $140.59 million invested by the state will produce a total state tax revenue increase of $633.77 million over the entire life of the program. After adjusting for present value, the state’s investment of $163.99 million in 2011 dollars will produce $509.32 million in new tax collections.

• Thus, comparing the current value of the final stream of new tax revenues created by the program against the stream of dollars expended through tax credits, the net
return is $493.18 million over the life of the projects. Comparing the present value of the final stream of new tax revenues created by the program against the stream of dollars expended through tax credits, the net return is $345.33 million in 2011 dollars. For every dollar that the state has invested in the program it has or will collect $3.22 in new tax collections, measured in 2011 dollars.