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Historic Preservation®
Save the past. Enrich the future.



Federal Historic Tax Credit

The Historic Tax Credit (HTC) was initially enacted in 1978 and made permanent in the tax code in 1986. The HTC is administered by the National Park Service (NPS) and the Internal Revenue Service in conjunction with State Historic Preservation Offices. A 20% credit applies to qualified rehabilitation costs for certified historic structures, which is distributed over 5 years (4% per year).

- The Historic Tax Credit (HTC) **encourages private investment** in the rehabilitation of historic buildings. The credit attracts private capital—approximately \$162 billion since inception—to revitalize often vacant, abandoned and underperforming properties that have a financing gap between what banks will lend and the total development cost of the transaction.
- The HTC is the largest federal investment in historic preservation, and it is market driven.
- The credit in turn generates new economic activity by leveraging private dollars to preserve historic buildings and create jobs; through 2018, the rehabilitation of 44,000 historic buildings has **created more than 2.7 million jobs**.
- From 2013 to 2017, 40% of all HTC projects were in predominantly minority census tracts (Policy Map, US Census and NPS Data layers, report retrieved January 2019).
- According to the National Park Service’s Economic Impact Report, 75% of HTC projects in 2018 were in economically distressed areas.
- Since its inception the HTC has produced over 166,000 Low- and Moderate-income affordable housing units (NPS - 2018 HTC Annual Report).
- In addition to revitalizing communities and spurring economic growth, HTC **returns more to the Treasury than it costs**. Treasury receives approximately \$1.20 in tax revenue for every dollar invested.¹ According to a study commissioned by the National Park Service, since inception, over \$30.8 billion in federal tax credits have generated more than \$35.9 billion in federal tax revenue from historic rehabilitation projects.
- Thirty-five states across the country 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, resulting in approximately 75 percent of the economic benefits remaining in the communities where these buildings are located.

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¹ Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2018



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Historic Tax Credit Growth and Opportunity Act

Summary

The Historic Tax Credit Growth and Opportunity Act (HR 2825), introduced by Rep. Blumenauer (D-OR), Rep. LaHood (R-IL), Rep. Sewell (D-AL) and Rep. Kelly (R-PA) in the House, and soon to be introduced in the Senate, combines the best ideas for improving and enhancing the federal Historic Tax Credit, including:

- Making it easier to complete small deals (defined as qualified rehabilitation expenses of \$2.5 million or less) by increasing the credit from 20% to 30% for these projects;
- Making more buildings eligible for the credit by lowering the substantial rehabilitation threshold;
- Eliminating the back-end basis adjustment that decreases the value of the credit; and
- Making the HTC easier to use for non-profits, which many times use the credit to create community health centers, local art centers, workforce development opportunities and community services. These projects are often the first to occur in a neighborhood and they become catalysts for increased investment in economically distressed areas.

These ideas represent practical and necessary updates to the Historic Tax Credit that will make it more accessible, more affordable, and more efficient to preserve our nation's most important historic buildings. In 2017, Congress reaffirmed the importance of the HTC by keeping the credit a permanent incentive in the newly reformed tax code. While the 20% credit was maintained in the final tax reform bill, the credit was modified so that it must be claimed over a five-year period instead of all at once. This change, combined with the repeal of the 10% historic tax credit for rehabilitating buildings built before 1936, is expected to generate over \$2.6 billion in cost savings to the Treasury over a 10-year period. A significant consequence of this change, however, is that the value of the credit is sharply reduced, making rehabilitation especially more difficult for smaller projects.

Background

The HTC has a demonstrable record of success, having attracted over \$162 billion in private capital, sparked the creation of more than 2.7 million jobs, and rehabilitated more than 44,000 historic buildings since inception. The Historic Tax Credit Growth and Opportunity Act makes key improvements to the HTC incentive for the first time since the credit was made permanent in 1986.

Eliminating the requirement that the HTC must be deducted from a building's basis better aligns the credit with the Low-Income Housing Tax Credit and makes it easier to repurpose historic buildings into low- and moderate- income housing. The legislation will also make more projects eligible for rehabilitation by reducing the amount of investment needed to qualify for the HTC, which in turn will benefit potential development projects in Opportunity Zones. These changes will help restore value to the credit lost during the tax reform process and direct more private investment into our smaller communities that are struggling to create jobs and grow their economies.

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