

**Congress of the United States**  
**Washington, DC 20515**

May 22, 2020

The Honorable Steven T. Mnuchin  
Secretary  
United States Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Mnuchin,

As Congress' most passionate champions of the federal historic rehabilitation tax credit (HTC), we write to urge you to use your authority under Section 7508A of the Internal Revenue Code to grant a one-year extension to the "substantial rehabilitation test" requirements in light of the COVID-19 pandemic.

First enacted in 1981, the HTC has been a proven success in communities large and small across America. The credit has attracted more than \$130 billion in private investment, created more than 2.4 million jobs, and rehabilitated more than 44,000 buildings. HTC projects revitalize communities, spur long-term economic growth, and return more money to the Treasury than the cost of the credit—\$1.20 in tax revenue for every dollar invested. But all of this is at risk due to the COVID-19 public health emergency.

Social distancing and stay-at-home orders have slowed the pace of HTC projects and jeopardize projects' ability to meet statutory deadlines to qualify for the credit. In order for a building to qualify for the credit, projects must satisfy the "substantial rehabilitation test."<sup>1</sup> This test provides 24-month and 60-month deadlines for determining whether the rehabilitation work is sufficient to qualify for the HTC. These deadlines are at risk of being missed as a result of COVID-19 work stoppages.

Other project sponsors are also at risk of missing the substantial rehabilitation test requirements under the transition rule provided in the Tax Cuts and Jobs Act (TCJA).<sup>2</sup> TCJA changed the HTC from an all-in-one-year credit to a ratable credit taken over five years and also provided a transition rule that kept the all-in-one-year credit available for buildings owned or leased on or before December 31, 2017. The 24-month substantial rehabilitation test was required to start not later than 180 days after enactment. Since TCJA was signed into law on December 22, 2017, the substantial rehabilitation test must be met by June 20, 2020 to claim the all-in-one-year credit.

While HTC projects around the country were prepared to meet these substantial rehabilitation test deadlines, the COVID-19 pandemic has forced many businesses and projects to stop, or severely curtail, in-person activities. Centers for Disease Control and Prevention guidelines have

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<sup>1</sup> 26 U.S.C. 47(c)(1)(B)(i) and (ii).

<sup>2</sup> Section 13402 of Public Law 115-97.

limited the number of workers on a site at a time, and interruptions to worldwide supply chains have left many projects stalled. As a result, it is likely that many HTC construction projects will be unable to finish their work on time to meet the general substantial rehabilitation test or the deadline for the TCJA transition rule, through no fault of their own.

Given the extraordinary circumstances, we urge you to use your authority under Section 7508A of the Internal Revenue Code to grant a one-year extension to the “substantial rehabilitation test” requirements. Our request includes an extension to both the 24-month and 60-month general substantial rehabilitation test period as well as a one-year delay of the June 20, 2020 deadline for the TCJA substantial rehabilitation test’s transition rule to June 20, 2021.

Thank you for your consideration.

Sincerely,



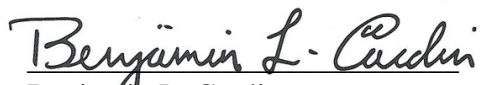
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Earl Blumenauer  
Member of Congress



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Bill Cassidy, MD  
United States Senator



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Benjamin L. Cardin  
United States Senator



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Susan Collins  
United States Senator



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Darin LaHood  
Member of Congress



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Brian Higgins  
Member of Congress



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Terri A. Sewell  
Member of Congress



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Mike Kelly  
Member of Congress



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Michael R. Turner  
Member of Congress