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**The American  
Institute  
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## **Boost the Federal Historic Tax Credit to Spur Economic Recovery**

The Historic Tax Credit (HTC) is a proven tax incentive for both revitalizing historic community assets and supporting economic development and recovery. Unfortunately, the historic rehabilitation community, like so many others, has experienced slowing, stopping, and in some cases, devastating results because of the necessary COVID-19 countermeasures. Historic rehabilitation projects face a ban on construction, limited work site attendance, a lack of materials, limited access to government and other regulatory partners, and other challenges associated with the near shuttering of the domestic economy. At the same time existing projects face limited to no construction activity, new and potential projects face profound financial viability concerns. Limited access to capital, greater investment risk, and an uncertain tenant market will cause significant harm to the future pipeline of HTC projects without federal intervention.

As a result of the foregoing, we are asking for improvements to the HTC and a temporary boost in the amount of credit available for historic rehabilitation projects to ensure their timely completion and allow new HTC projects to help put more Americans back to work quickly and bolster our nation's economic recovery.

### **How can the HTC help spur Economic Recovery?**

By breathing new life into vacant or under-utilized historic properties such as schools, warehouses, factories, commercial buildings and more, the federal HTCs bring hope and stability to neighborhoods, setting the stage for additional investment. When the private sector rehabilitates a building utilizing the historic tax credit, data shows that there is a catalytic effect, driving development nearby.

Seventy-five percent of the economic benefits of these projects stay on the ground, in state and local economies. Developers of HTC projects generally buy materials close to the project site and hire local, skilled workers. Moreover, because historic building rehabilitations are more labor intensive than new construction, they often require additional workers at higher wages.

### **What changes to the HTC are needed to spur Economic Recovery?**

- **Enact the Historic Tax Credit Growth and Opportunity Act (HTC-GO), H.R. 2825/S. 2615**  
HTC-GO provisions would make small projects easier, better allow the credit to be paired with the Low Income Housing Tax Credit and Opportunity Zones, restore value to the credit, and make projects like community health centers, cultural facilities, and homeless services more cost effective to finance. These provisions would not only make the credit easier to use and more historic properties eligible, but they would also enhance the value of Historic Tax Credits, bringing more investment capital into projects that will use it directly for economic activity. (Please see attached fact sheet on HTC-GO for additional materials).

➤ **Boost Economic Activity by Temporarily Increasing the HTC Percentage for all Rehabilitation Projects from 20 to 30 percent of Qualified Rehabilitation Expenses**

The HTC was similarly increased in the Emergency Economic Stabilization Act of 2008<sup>1</sup> to address flooding, tornado and severe weather damage in Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Missouri, Minnesota, Nebraska and Wisconsin. Data show these temporary increases to the HTC exponentially increase rehabilitation activity, stimulate job creation, and catalyze additional community investment that would not otherwise occur.

Accordingly, we suggest:

- Increasing the credit for all projects to 30% for tax years 2020-2024; and
  - Providing a phase down of the higher percentage for all projects: 26% in 2025 and 23% in 2026 before returning to 20% in 2027 (excluding the small deal bump up in HTC-GO).
  - This increase would be for Qualified Rehabilitation Expenditures (QREs) paid or incurred after January 1, 2020.
- **Allow credits to be used for previous tax years**
- As Congress did with modifications to Net Operating Losses (NOLs) in the CARES Act, we ask that Congress allow tax credits, including the HTC, to be applied to previous tax years and eliminate the 75% cap as a way to promote liquidity and capital flow.

➤ **Modify HTC Regulatory Requirements**

The COVID-19 pandemic is causing significant delays in completing historic rehabilitation projects resulting from mandatory work stoppages, limited government review at the local, state and federal levels, shortage of materials, and general economic hardships. With limited time to complete the substantial rehabilitation and a June 20, 2020 deadline for some projects, we request an extension of the substantial rehabilitation test provisions for all projects by one year.

- **Extend the substantial rehabilitation test period for one year to ensure project completion**  
All projects have a limited time in which to complete their substantial rehabilitation – either 24 months or 60 months. **The Tax Cuts and Jobs Act (TCJA) Transition Rules** also included a specific transition rule allowing rehabilitation projects owned by December 31<sup>st</sup>, 2017, to receive a one-year credit when the 24-month substantial rehabilitation period began no later than June 20, 2018 and was completed by June 20, 2020 (June 20, 2018 to June 20, 2023 for 60-month projects).

### **Impact of the Federal Historic Tax Credit?**

For more than 40 years, the federal Historic Tax Credit (HTC) has revitalized communities by leveraging their heritage and historic character to attract private reinvestment toward the rehabilitation of important historic buildings. To date, more than 44,000 historic properties have been rehabilitated in every state in the nation in big cities and small main street communities alike. Since its inception, the HTC incentive has helped create over 2.7 million new jobs and for every federal dollar invested it stimulates 5 times the amount in rehabilitation for historic buildings that would otherwise remain vacant or underutilized. These public-private capital improvement projects create many local employment opportunities from design and construction jobs to small business incubation.

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<sup>1</sup> Sec. 702 Heartland and Hurricane Ike Disaster Relief - Heartland Disaster Tax Relief Act of 2008