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NCSHPO
National Conference of State Historic Preservation Officers



PRESERVATION
Action



Congressional Champions of Economic Development and Historic Preservation **Reintroduce the Historic Tax Credit Growth and Opportunity Act**

In March, 2023, Representatives Darin LaHood (R-IL), Earl Blumenauer (D-OR), Mike Kelly (R-PA), Terri Sewell (D-AL), Mike Turner (R-OH) and Brian Higgins (D-NY), and Senators Ben Cardin (D-MD), Bill Cassidy (R-LA), Maria Cantwell (D-WA) and Susan Collins (R-ME), introduced the **Historic Tax Credit Growth and Opportunity Act [H.R.1785/S.639 (HTC-GO)]**. The House and Senate bills include four permanent provisions that will add value to the Historic Tax Credit (HTC), improve access to the credit, and increase investment in smaller rehabilitation projects. The House bill also includes a provision that will temporarily increase the amount of the tax incentive to help address the significant challenges currently facing historic rehabilitation projects throughout the nation.

Challenges Historic Rehabilitation Projects Face

The federal HTC is the largest federal investment in historic preservation and a critical economic development tool used to revitalize our communities. Rehabilitation and reuse of historic properties also offers an important alternative to new construction as a strategy to help lower carbon emissions. Unfortunately, the value of the HTC incentive has diminished over the past decade because of IRS rulings, administrative burdens, changes in the credit structure, as well as spreading the distribution of the credit over 5 years as modified by the Tax Cuts and Jobs Act of 2017. As a result, the HTC has lost 20 – 25% of its investment value as interest rates continue to climb and materials and labor costs soar. National Park Service statistics indicate that HTC applications over the last two fiscal years are down 20 percent when compared to pre-pandemic levels (2019). Historic buildings have simply become more difficult to rehabilitate.

Temporary Provisions (House Bill Only)

The HTC-GO legislation temporarily increases the rehabilitation credit (IRC § 47) to address profound challenges facing the historic rehabilitation sector.

- This provision increases the HTC percentage from 20% to 30% for 2023 through 2026.
- The credit percentage is phased down to 26% in 2027, 23% in 2028, and returns to 20% in 2029 and thereafter.

Permanent Provisions

The permanent provisions would make important changes to the HTC to encourage more building reuse and redevelopment nationwide and would be particularly impactful for small, midsize, and rural communities. These provisions would not only make the credit easier to use and more historic properties eligible, but they would also enhance the value of the HTC, enable the creation of more affordable housing, and reactivate more vacant/under-utilized properties.

- Increases the credit from 20% to 30% for projects with less than \$2.5 million in qualified rehabilitation expenses, making it easier to complete small rehabilitation projects.
- Lowers the substantial rehabilitation threshold, making more buildings eligible to use the HTC.
- Eliminates the requirement that the value of the HTC must be deducted from a building's basis (property's value for tax purposes), increasing the value of the HTC and making it easier to pair with the federal Low-Income Housing Tax Credit.
- Makes the HTC easier to use by nonprofits for community health centers, local arts centers, affordable housing, homeless services, and others by eliminating IRS restrictions that make it challenging to partner with developers.