HR 2294-Historic Tax Credit Growth and Opportunity Act of 2021 (HTC-GO)

The Historic Tax Credit (HTC) is a proven tax incentive for both revitalizing historic community assets and supporting economic development and recovery.

Introduced in the House, by Representatives Earl Blumenauer (D-OR) and Darin LaHood (R-IL), the new version of HTC-GO includes temporary provisions that will bring relief to projects impacted by the pandemic and permanent provisions that will bring more value to the HTC, improve access to the credit, and enhance investment opportunities for smaller rehabilitation projects.

Temporary COVID-19 Related Provisions

Developers and building owners are experiencing challenges in rehabbing historic buildings. The financial markets have slowed to a crawl, making it difficult for projects to access capital and stalling complex historic real estate developments. The increased volatility in the market and project risk is forcing banking institutions to decrease their loan frequency and the overall amount while tightening underwriting requirements. Increases in material and construction costs and an uncertain tenant market have further impacted potential developments. As a result, many projects have stalled or are no longer feasible. Additionally, local governments are challenged to fulfill funding and partnership agreements with developers or enter in new agreements incentivizing revitalization.

- The HTC-GO legislation temporarily increases the rehabilitation credit (IRC § 47) to address projects impacted by the pandemic.
- This provision increases the HTC percentage from 20% to 30% for 2020 through 2024.
- The credit percentage is phased down to 26% in 2025, 23% in 2026, and returns to 20% in 2027 and thereafter.

Permanent Provisions

The following 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 it would also enhance the value of the HTC and make the credit easier to use to create affordable housing.

- 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.

Federal Historic Tax Credit Fact Sheet

The Federal Historic Tax Credit (HTC) is a 20% credit applied to qualified rehabilitation expenses for certified historic structures distributed over 5 years (4% per year). It represents, by far, the largest federal investment in historic preservation.

- The HTC **encourages private investment** in historic buildings. The credit attracts private capital—approximately $173 billion since inception—to revitalize often vacant and underutilized properties that have a financing gap between what banks will lend and what rehabilitation will cost.

- The credit generates new economic activity. According to the National Park Service HTC Impact Report (2019), since its inception, the rehabilitation of over 45,000 historic buildings has **created nearly 3 million jobs** and has **produced over 172,000 low- and moderate-income affordable housing units**.

- The NPS 2019 study concluded that the HTC **returns more to the Treasury than it costs.** The HTC has generated $38.1 billion in federal tax revenue from the $32.9 billion in federal tax credits.

- From 2013 to 2017, **40% of all HTC projects were in predominantly minority census tracts***

- According to the HTC FY2019 Annual Report (NPS), **74% of HTC projects were in economically distressed areas**.

- **Thirty-nine states** recognize the economic development potential of historic rehabilitation and **have enacted individual state HTC programs** that work in tandem with the federal program.

- The credit is used in both larger urban areas and smaller towns. In 2019, 34% of projects were in communities with populations under 100,000.

- According to the NPS HTC Annual Report in 2019, approximately 50% of projects are under $1 million in rehabilitation development costs (less than $200,000 in credits).

*Data retrieved from PolicyMap in January 2019 and April 2020