

The Federal Historic Tax Credit

The Federal Historic Tax Credit (HTC) is a 20% credit applied to qualified rehabilitation costs for certified historic structures, distributed over 5 years (4% per year). It represents 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 the project 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 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** (Policy Map, US Census and NPS Data layers, report retrieved January 2019).
- 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).

Support Efforts to Strengthen and Increase the Historic Tax Credit

There are bipartisan efforts to make important changes to the Historic Tax Credit to encourage more building reuse and more redevelopment in small, midsize, and rural communities. These efforts would also make the credit easier to use and increase the number eligible properties:

Temporary Enhancements to the HTC

- Temporarily increases the HTC from 20% to 30% to address pandemic related challenges

Permanent Enhancements to the HTC

- Makes it easier to complete small rehabilitation projects by increasing the credit to 30% for projects with less than \$2.5 million in qualified rehabilitation expenses.
- Makes more buildings eligible for HTCs by lowering the substantial rehabilitation threshold;
- Increases the value of HTCs by eliminating the requirement that the value of the HTC must be deducted from a building's basis (property's value for tax purposes)
- Makes the HTC easier to use by non-profit organizations for projects like community health centers, local art centers, and affordable housing, by eliminating IRS restrictions that make it difficult to partner with developers.