



April 25, 2024

Written Statement from Russ Carnahan, President, Preservation Action and
Briana Paxton, Chairwoman, Preservation Action

United States House of Representatives
Committee on Ways and Means

“Expanding the Success of the 2017 Tax Relief to Help Hardworking Americans”

Chairman Smith, Ranking Member Neal, and Members of the Ways and Means Committee, on behalf of Preservation Action’s thousands of members and supporters - representing nearly every state - we appreciate the opportunity to provide a written statement on the Committee’s hearing, *“Expanding the Success of the 2017 Tax Relief to Help Hardworking Americans.”* Founded in 1974, Preservation Action is a 501(c)4 nonprofit organization created to serve as the national grassroots advocacy organization for historic preservation. We represent an active and engaged grassroots constituency from across the country.

We would like to thank the Committee for your ongoing support of the Federal Historic Rehabilitation Tax Credit (HTC), including maintaining the credit as part of the Tax Cuts and Jobs Act of 2017. With your support, the HTC continues to rehabilitate historic properties and revitalize communities across the country. In FY22 alone, HTC-related rehabilitation investments generated approximately 122,000 jobs and were responsible for \$7 billion in GDP. Despite the program’s record of success, historic rehabilitation projects are facing substantial challenges. Provisions included in the bipartisan Historic Tax Credit Growth and Opportunity Act (H.R. 1785, S. 639) would help restore loss value due to legislative changes, IRS guidance and inflation, improve access to the credit, and increase value for smaller rehabilitation projects. **Any future tax reform effort should include much-needed changes to improve and modernize the HTC.**

Background

The HTC is the largest federal investment in historic preservation, providing a 20% credit toward qualified historic rehabilitation expenses over five years. The HTC has been a catalyst for development and job creation, and is responsible for:

- Rehabilitating more than 49,000 historic properties across the country
- Leveraging over \$235 billion in private investment since inception
- Creating more than 3.2 million jobs
- Producing over 199,000 affordable housing units
- Rehabilitating historic buildings in all 50 states

The HTC is not just benefiting large projects in big cities. In 2022, 78% of all projects were in economically distressed areas and nearly a third of all projects were in communities of less than 50,000 people. The HTC is helping to preserve places like the Marquette Hotel, an icon in downtown Cape Girardeau, MO, that had fallen into disrepair and is now an active community asset; or the Eagle Mill in Lee, MA, which is currently undergoing a massive rehabilitation to convert the 1808 paper mill into affordable housing.

Additionally, **the HTC returns more to the federal Treasury than the cost of the program.**

According to a National Park Service 2022 study, the HTC has generated \$50.3 billion in federal tax receipts from \$44.3 billion in credits allocated.

Challenges to Historic Rehabilitation Projects

The HTC has a proven track record and continues to be a vital economic development tool to revitalize communities, however the value of the HTC has diminished over the last decade. Over the last 10 years, the **HTC has lost nearly 25% of its value.** While the 2017 Tax Cuts and Jobs Act retained the HTC, the bill altered the credit, requiring it be distributed over five years. That change combined with unfavorable IRS guidance, inflation, and raising interest rates have made historic rehabilitation projects significantly more challenging. National Park Service statistics indicate that HTC applications are down 20% compared to pre-pandemic levels (2019), and the number of projects continues to decline even as the economy is rebounding. This decrease is not due to lack of need, but rather historic buildings have simply become more difficult to rehabilitate. **Changes to improve the credit are needed more now than ever before.**

Historic Tax Credit Growth and Opportunity Act (H.R. 1785, S. 639)

The HTC-GO Act makes several urgently-needed changes to improve and modernize the credit. To address the profound changes currently facing historic rehabilitation projects across the country and the credit's diminished value we've seen over the last decade, the HTC-GO Act includes a temporary increase to the rehabilitation credit.

- 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.

These changes will encourage more building reuse and more redevelopment in 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 or under-utilized properties.

The HTC-GO Act includes the following permanent provisions:

- 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; and
- 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.

Conclusion

The impact of the HTC on community revitalization, jobs creation, and economic development cannot be overstated. The HTC has helped rehabilitate thousands of historic properties across the country, serving as a catalyst for economic development and job creation, all while returning more to the Treasury than the cost of the program. However, historic rehabilitation projects are facing substantial challenges and have become much more difficult to get done. As the committee considers a path forward for tax policy in 2025, we urge you to include the changes laid out in the bipartisan Historic Tax Credit Growth Opportunity Act as part of any tax reform effort.

Thank you for the opportunity to provide a written statement as part of this important hearing. We look forward to working with the Committee and are happy to answer any questions.

Sincerely,



Russ Carnahan
President, Preservation Action



Briana Paxton
Chairwoman, Preservation Action