Rehab the Historic Tax Credit in the 2025 Tax Bill

The federal Historic Tax Credit (HTC) has served as a cornerstone for community revitalization efforts throughout the nation for more than forty years. The HTC creates public private partnerships between historic property owners, the National Park Service (NPS), and a network of state historic preservation offices that support constituents in identifying eligible historic properties and guide them toward successful rehabilitation outcomes. The HTC is the most significant financial investment the federal government makes toward the rehabilitation and reuse of our nation's historic buildings. To date, the credit has preserved more than 50,000 properties in every state leveraging more than $235 billion in private investment. The federal HTC is a model credit that has led 39 states to create similar tax incentive programs. The HTC provides essential gap financing for buildings in urban, suburban and rural areas and is a true catalyst to revitalize vibrant, people-centric communities. After four decades of service, however, the HTC needs updating to continue to encourage community development, as originally intended, and drive more private investment into hard-to-reach areas.

Key Facts:

- The HTC is a time-tested community development tool for rehabilitating income producing historic buildings, promoting small business opportunities, housing creation, and well-paying construction jobs. The credit is claimed against income taxes and equals 20% of qualified rehabilitation expenditures for certified historic properties. The credit leverages tax credit equity to pay development costs.
- Roughly half of all HTC projects certified each year have development costs of less than $1 million, making this incentive one of the most important ways that private investment reaches those living and working in small towns and rural communities.
- Unfortunately, the HTC has not kept pace with other federal incentives that have received periodic legislative updates. The structure of the HTC is largely the same as it was in 1986, making it more cumbersome for property owners to pair the HTC with other incentives like the Low-Income Housing Tax Credit.
- The need for a better incentive is compounded by the fact that HTCs have lost 20-25% of their investment value over the last ten years, resulting in a decrease in project applications received by NPS each year.
- The decline in HTC value is attributable to investors claiming the HTC over 5 years instead of a single year, adverse impacts of IRS guidance on HTC deal structures, and the high cost of materials and labor.
- House and Senate champions introduced the HTC-GO bill (H.R. 2941/S. 1459), in the 119th Congress that will add value to the HTC by restoring the 1-year credit, eliminating the basis reduction which will simplify use of the credit with affordable housing projects, providing an enhanced credit for smaller projects and projects located in rural areas, and making more historic buildings eligible to use the HTC.
- Proposed changes to the HTC will help revitalize cities and smaller main street and rural communities, avoid wasteful demolition, and greatly assist in the preservation of historically significant buildings that tell the unique stories of our past for future generations.

Request to Congress:

- **Please support the Historic Tax Credit Growth and Opportunity Act of 2025 [HTC-GO (H.R. H.R. 2941/S. 1459)], sponsored by Reps. LaHood (R-IL)/Suozzi (D-NY) and Sens. Cassidy (R-LA) and Warner (D-VA) and include these provisions in the emerging tax bill.**

Cosponsor HTC-GO and Include Provisions in the Emerging Tax Bill

A new version of the Historic Tax Credit Growth and Opportunity Act [HTC-GO (H.R. 2941/S. 1459)] was reintroduced by Rep. Darin LaHood (R-IL)/Rep. Tom Suozzi (D-NY) in the House and Sen. Cassidy (R-LA)/Sen. Warner (D-VA) in the Senate. The bill brings more value to the HTC, makes the credit easier to use and encourages smaller projects and projects in rural areas. New provisions include returning to a one-year delivery of HTC and further incentives for rural projects, including the ability to transfer credits for smaller and rural projects.

HTC-GO Provisions

- Returns to a 1-year delivery of Historic Tax Credits for all projects
  - Since 2017, the 20% tax credit has been delivered over 5-years (4% per year); this provision will return delivery of the HTC to 1-year.
- Lowers the Substantial Rehab Test from 100% to 50% of a building's basis
  - Lowers the substantial rehabilitation threshold, making more projects eligible to use the HTC.
- Eliminates the HTC Basis Adjustment Requirement
  - Eliminates the requirement that the amount of the HTC must be deducted from a building's basis (the property's cost for tax purposes), increasing the value of the HTC and making it much easier to pair with the federal Low-Income Housing Tax Credit.
- Modifies Tax Exempt Use Rules
  - Makes the HTC easier to use by nonprofits such as community health centers, local arts centers, affordable housing, homeless services, museums, theaters, and others by eliminating Tax Code restrictions that make it challenging for nonprofits to partner with developers.
- Increases the credit for smaller projects:
  - Projects below $3.75 million will receive a 30% credit.
  - Rural projects below $5 million will receive a 30% credit. (Rural Definition: Cities/towns with populations less than 50,000 and not contiguous and adjacent to cities/towns of 50,000 in population).
  - All small projects are eligible for direct transfer, without need of a partnership-style investment.