



## **Economic Development and Historic Preservation in Crisis** **Time to Update the Historic Tax Credit after 40 years**

National Park Service 2021 data show that **usage of the Historic Tax Credit (HTC) is down nearly 20%** compared to three years ago (2019), due in part to a weakened credit, combined with the devastating logistical and financial impacts of the pandemic. This is true across project size and in every region of the country.

At the same time, with construction costs skyrocketing and rents not keeping pace, historic buildings are becoming even more difficult to rehabilitate, even with the federal incentive that has been permanent since 1986.

The HTC is overdue for a rehabilitation of its own.

### **Provisions to enhance the federal HTC**

- Temporary credit increase to 30%
- Permanent increase to 30% for projects with Qualified Rehabilitation Expenses (QREs) under \$2.5 million
- Elimination of the basis adjustment for the HTC
- Change in the Substantial Rehabilitation test to 50% of an owner's adjusted basis in the building (currently it is 100%)
- Elimination of the Disqualified Lease Rules to allow buildings operated by nonprofits to be able to take advantage of the HTC.<sup>1</sup>

If no action is taken to modernize the federal HTC, the easiest buildings will continue to get done, but more complicated buildings and those in neighborhoods with lower rents will not happen. Hundreds of projects have simply not happened in the last three years because they are too challenging in the current environment.

The HTC is a highly effective incentive that attracts private funding to the rehabilitation of historic properties. The HTC is the federal government's largest investment in historic preservation and a vital tool for community development, job creation, and small business development.

The greenest building is a building that is already built. Rehabilitating a building reduces the embedded carbon footprint of construction by 50% before the work even starts.<sup>2</sup> In addition, rehabilitated buildings are more energy efficient.<sup>3</sup>

---

<sup>1</sup> These provisions can be found in the House-introduced Historic Tax Credit Growth and Opportunity Act (HTC-GO) (H.R. 2294). The Senate bill (S. 2266) has all the same provisions except the temporary increase. All of these provisions were also included in the version of Build Back Better reported out of the House Ways and Means Committee.

<sup>2</sup> AIA's [Blueprint for Better report](#)

<sup>3</sup> <https://climatecrisis.house.gov/report>