Do any Midwestern states provide for historic-preservation tax credits?

Laura Kliewer [1]

According to the National Trust for Historic Preservation [2], 35 states currently offer tax credits for historic preservation (HTCs). Fifteen states, including Michigan and South Dakota in the Midwest, offer no tax credits, while Illinois allows their use in a limited number of cities.

Although the credits vary from state to state, according to the National Trust, most programs include the following basic elements: Criteria establishing what buildings qualify for the credit; standards to ensure that the rehabilitation preserves the building’s historic and architectural character; a minimum threshold required to be invested in the rehabilitation; a mechanism for administering the program; and a method for calculating the value of the credit awarded, reflected as a percentage of the amount expended on that portion of the rehabilitation work that is approved as a certified rehabilitation.

Preservationists, commercial developers and builders, and others who depend on the credits to fund reconstruction and revitalization of historic downtowns and rural buildings argue the credits more than pay back their costs by generating jobs and tax revenues.

According to the National Trust, another benefit of state HTCs is that they increase the use of federal historic tax credits. An active state tax credit program boosts use of the federal credit on average between $15 million and $35 million in certified expenditures, according to a report by the state of Washington [3]. The National Trust notes that Missouri’s tax credit doubled the use of the federal rehabilitation incentive.

The tax code overhaul approved by Congress and signed by President Trump in December 2017 kept the credit but requires it to be taken over five years instead of all at once, and repeals the 10 percent rehabilitation credit for non-historic buildings. The House’s original version had cut the HTC (a Joint Committee on Taxation analysis said eliminating the federal credit would save $1 billion annually by 2021), but it was restored in the final compromise bill.

Efforts to roll back historic tax credits have also been made in some Midwestern states. Nebraska’s state tax credit (LB 191 [4]), passed by lawmakers in 2014, came under fire last year amidst budget problems and complaints about the complexity of the application process. Several bills were introduced to either end or suspend the Nebraska Job Creation and Mainstreet Revitalization Act, but business and preservation groups were successful in defeating them.

Michigan’s HTC ended in 2011, when the state eliminated all of its tax credits. Indiana eliminated its Commercial Rehabilitation Tax Credit in 2015, a small credit with a program cap of $400,000. The state still offers a tax credit program for homeowners.

In 2017 in Wisconsin, Gov. Scott Walker used his line-item veto authority to cut back the per-project tax credit cap for income-producing properties to $500,000. For three years previously, the state had no per-project limit on the program, but the Legislature had set a $5 million cap in the 2017-18 budget.

By:
Thursday, January 25, 2018 at 12:13 PM

Attachment  Size
Stateline Midwest: January 2018  [5]  2.48 MB

Tags:

Policy Area (14)Economics and Finance (15)Housing and Community Development [16]

Source URL:
http://knowledgecenter.csg.org/kc/content/do-any-midwestern-states-provide-historic-preservation-tax-credits

Links