A COMPARATIVE ANALYSIS OF STATE HISTORIC TAX CREDIT PROGRAMS AS TOOLS FOR AFFORDABLE HOUSING PROJECTS

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1. INTRODUCTION

Housing affordability has been a growing national crisis for the past few decades; several major American cities are struggling with a high percentage of the population that is "cost-burdened" (spending more than 30% of their income on housing costs) and an inability to balance a need for low- and moderate-income housing units with limited budgets and market demands. Cities like San Francisco and New York are reckoning with an imbalance of new units affordable to low- or moderate-income and new market-rate units. Housing insecurity and a lack of equitable, affordable housing results in compounding problems affecting a city's sustainability, including population displacement, disinvestment, and homelessness.[1] In many cities over the past few years, housing costs have increased faster than income, meaning these problems are not going away any time soon or without regulatory intervention.

The National Low Income Housing Coalition details much of this in their most recent report, "The Gap: A Shortage of Affordable Homes," and explains “what extremely low-income renters can afford to pay will not cover the development and operating costs of new housing developments, and in many cases, it will not even meet the rents demanded from landlords to maintain older housing”; thus, financial incentives are critical to the production of affordable housing, especially for older housing stock.[2]

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[1] San Francisco Planning Department, *Executive Summary: San Francisco Housing Affordability Strategies* (San Francisco, CA, March 2020).
[2] The National Low Income Housing Coalition, *The Gap: A Shortage of Affordable Homes* (Washington, D.C., March 2020), 2.

The private market is not motivated to and usually cannot produce rental housing affordable to low-income renters without some public subsidy or financial tool. The federal Low-Income Housing Tax Credit Program (LIHTC) is the largest source of new, affordable housing in the United States, providing tax incentives to developers that create housing options with a certain percentage of units occupied by tenants earning less than 60% of the area median income (AMI).[3] LIHTCs and incentives for historic preservation have existed concurrently for decades and are often "twinned" or "piggybacked," meaning they are used in conjunction for maximized cash equity. The majority of affordable housing projects rely on mixed financing to be economically feasible, increasingly so in historic rehabilitations instead of new constructions.

Historic tax credit programs and other financial incentives have historically filled a critical financing gap in the rehabilitation and reuse of historic buildings, providing capital to projects that otherwise would not be economically feasible, and generating development in small or economically disadvantaged communities.[4] Historic tax credit programs spur additional private and federal investment in areas of historic and cultural value, rehabilitating built heritage for present use and creating a ripple of benefits throughout local communities. Additional positive outcomes include job creation, generation of state, local, federal tax revenue, increased property values, reuse of vacant buildings, sustainability measures, and a production or maintenance of housing.[5]

[3] "How the LIHTC Program Works," The National Housing Law Project, September 7, 2017, https://www.nhlp.org/resources/how-the-lihtc-program-works/.
[4] Center for Urban Policy Research and Technical Preservation Services, *Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2018*, (Rutgers University and the National Park Service, September 2019).
[5] National Trust for Historic Preservation, *Economic Benefits of State Historic Preservation Tax Credit* (Washington, D.C., n.d.).

Specifically, state tax credits programs parallel to the federal tax credit have leveraged additional private and local investment and encouraged the stewardship and rehabilitation of historic buildings. Though the literature's primary focus has been on tools at the federal level, parallel state programs also allocate vital resources, generate investment, and encourage building reuse. As cities seek ways to mitigate affordable housing problems and reinvest in their historic built environment, financial incentives at the state level figure have an important, if not critical, role.

This thesis cross-analyzes all state historic tax credit (HTC) programs throughout the United States to determine the most effective components for creating rehabilitation projects with affordable housing outcomes. Through a comparative analysis of the regulatory structure of HTC programs and qualitative synthesis of program data, this thesis identifies how state tax credit programs can fill a critical gap in subsidizing affordable housing through the historic built environment. By determining the constraining and enabling attributes that structure HTC programs to assess state variations, identifying the correlation between state and federal HTC use and attributes, and comparing state HTCs to affordable housing tools, the intersection of state HTC programs and affordable housing rehabilitations are thoroughly analyzed. These observations are then supplemented by the evaluation of 5 case studies: the HTC programs of Maine, Illinois, Vermont, Texas, and Pennsylvania.

2. AFFORDABLE HOUSING REHABILITATIONS

The Intersection of Preservation and Affordability

Insufficient affordable housing and housing assistance services are a systemic problem affecting most states in the U.S. In general, *affordable housing* refers to a manageable cost of housing related to other living expenses as a total percentage of income. The U.S. Department of Housing and Urban Development (HUD) refers to 30% of income going to housing costs as the threshold of housing affordability. However, a growing amount of literature recognizes the parallel externalities of housing costs beyond housing units' costs to include neighborhood school quality, public safety, and access to jobs and amenities.[6] Additionally, federal and state agencies are looking beyond the 30% threshold as an indicator of affordability by more broadly considering percentage change in median contract rent and median "gross" rent.[7] As the criteria for housing affordability evolves, financial incentives will also have to evolve to be more effective at generating and maintaining affordable housing units and projects.

The combined need for affordable housing and the need to preserve and utilize the historic built environment provides an opportunity for rehabilitations supported by state historic tax credits. The benefits at the intersection include neighborhood revitalization,

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[6] "Defining Housing Affordability," U.S. Department of Housing and Urban Development's Office of Policy Development and Research, accessed September 30, 2020, https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-081417.html.

[7] Median "gross" rent includes rent rates as part of a lease plus utility costs. Median gross rent therefore might more fully capture costs as related to housing affordability. See more in ThinkBrooklyn, *The Intersection of Affordable Housing and Historic Districts* (New York: Historic District Council, 2016.), 8.

stabilization, and diversification, economic development, reduced displacement, and local jobs.[8]

Mixed Financing to Fill the Gap

One shared trait between historic rehabilitation and affordable housing is that they often rely on mixed financing to be economically feasible. That includes incentives at the federal, state, and local levels. HUD reports that the two most common federal incentive programs used with the federal HTC are the Low Income Housing Tax Credit (LIHTC) and New Markets Tax Credit (NMTC) program.[9] Additional incentives often used to finance rehabilitations include the HOME Investments Partnership Program and Community Development Block Grants, which are state- and locally- administered and support the rehabilitation and maintenance of existing rental units to keep vulnerable populations in their homes.[10] In addition, investment in an HTC project can also count toward Community Reinvestment Act requirements for banks. The 1977 Community Reinvestment Act is a fair lending law that requires federal banking regulators to encourage financial institutions to help meet the credit needs of the neighborhoods they reside, including the issuance of regulatory points for lending to low- and moderate-income neighborhoods.[11] However, it is important to note that federal grants can affect

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[8] Elizabeth Tisher, "Historic Housing for All: Historic Preservation as the New Inclusionary Zoning," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, 2017), https://papers.ssrn.com/abstract=2968737.
[9] "Using the Historic Tax Credit for Affordable Housing," HUD Exchange, accessed September 2, 2020, https://www.hudexchange.info/programs/environmental-review/historic-preservation/tax-credit/.
[10] Alex F. Schwartz, *Housing Policy in the United States,* (New York: Taylor & Francis Group, 2014), 265-301.
[11] "Community Reinvestment Act (CRA)," Board of Governors of the Federal Reserve System, last modified September 28, 2020, https://www.federalreserve.gov/consumerscommunities/cra_about.htm.

the amount of HTC a project can receive depending on the additional funding sources. Nevertheless, maximizing subsidies through mixed-financing is often a critical component to historic rehabilitations and affordable housing projects.

Additional federal, state, and local incentives are often used to finance rehabilitations as well. LIHTCs are the most common incentive to be twinned with historic tax credits to boost historic rehabilitations' feasibility with affordable housing outcomes. The federal LIHTC program refers to private investors receiving income tax credits as an incentive to make an equitable investment in affordable rental housing projects, primarily by regulating unit costs by the AMI.[12] The federal LIHTC is the largest source of new, affordable housing in the United States. It provides critical tax incentives to create housing options with a certain percentage of units occupied by tenants earning less than 60% of the AMI.[13] The qualified expenses of a project (either 4 or 9% of which are eligible for tax credits) can get a 30% increase if the project is located in a Qualified Census Tract – a low-income census tract designated by HUD.[14] LIHTCs support both new affordable housing units and the rehabilitation of existing units.

Twenty-one states and the District of Columbia have a parallel state-administered LIHTC program, with Virginia passing S.B. 1197 in April of 2021. Four additional states have recently introduced legislation to match the federal 4% and 9% LIHTC allocations at the state level.[15] Three critical considerations when utilizing HTCs and LIHTCs in

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[12] Nicole DuBois, Amanda Gold, and Corianne Scally, "The Low-Income Housing Tax Credit" (Urban Institute, July 2018).
[13] The National Housing Law Project, "How the LIHTC Program Works."
[14] District of Columbia Office of Planning, *Pairing Historic Tax Credits with Low-Income Housing Tax Credits in the District of Columbia* (Washington, D.C., August 2015).
[15] Novogradac, "Recent News".

tandem are timing, construction cost, and design requirements.[16] HUD promotes that state and federal HTC and LIHTC program guidelines are generally compatible. However, a growing body of literature argues that separate applications and design standards in each of the LIHTC and HTC programs are challenging, time-consuming, and generally cumbersome. There are also structural differences in how the credits are calculated, which costs are recognized as QREs, and when the credits are awarded. Additionally when twinned, federal HTCs reduce the eligible basis for the LIHTC, although the LIHTC does not affect the amount of HTCs a project is eligible to earn."[17]

[16] John Tess, "Three Considerations When Twinning HTC, LIHTC," *Novogradac Journal of Tax Credits* IX, no. VII (July 2018): 1-6.
[17] HUD Exchange, "Using the Historic Tax Credit for Affordable Housing."

3. TAX CREDITS FOR HISTORIC REHABILITATIONS

Federal HTC History and Development

The federal HTC program's foundation began with the National Historic Preservation Act of 1966, which created the National Register of Historic Places and a collaborative process of public and private entities to identify, evaluate, and protect historic and archeological resources. In 1976, the federal government began providing tax incentives for historic building renovations through accelerated depreciation. The Tax Reform Act of 1976 stated:

> “Congress believes that the rehabilitation and preservation of historic structures and neighborhoods is an important national goal. Congress believes that the achievement of this goal is largely dependent upon whether private funds can be enlisted in the preservation movement."[18]

To enable private funds, the federal HTC program’s first iteration was introduced by the U.S. Congress, granting a 10% credit based on qualified expenditures for rehabilitations of buildings twenty years or older. In 1997, the first project was certified. An iteration in 1981 further divided the program's criteria by the age of the building: 15% credit was awarded to buildings between 30 and 39 years old, 20% to those 40 or older, and 25% to buildings deemed historic structures. The 1986 federal tax reform simplified the program to a state it remained in for nearly 30 years; the reform created a 10% credit for non-historic, non-residential buildings placed in service before 1936 and streamlined a 20% credit for income-producing buildings regarded a “certified historic structure” by the National Park Service (NPS).[19] The building must be listed in the National Register of

[18] H.R. 10612 - Tax Reform Act, Public Law 94-455, 94th Congress (1975-1976).
[19] “About the Historic Tax Credit,” Historic Tax Credit Resource Center, Novogradac, March 8, 2016, https://www.novoco.com/resource-centers/historic-tax-credits/htc-basics/about-historic-tax-credit.

Historic Places individually or as a contributing member of a historic district retaining historic integrity as determined by NPS to be considered a "certified historic structure."[20]

The 10% and 20% federal credit successfully catalyzed a second life for heritage assets, brought private investment to historic business and residential centers, and increased local, state, and federal tax revenues for many decades. However, a change to Public Law No: 115-97 went into effect on January 1, 2018, which amended the Internal Revenue Code, modifying the 20% credit and eliminating the 10% credit for pre-1936 non-historic buildings. The elimination of the 10% credit disqualifies many historic buildings with federal designation potential from accessing the credit. The modification of the 20% credit requires the credit to be claimed over a five-year period “equal to the ratable share for each year”, starting with the building's year placed in service. [21] In reaction, the Historic Tax Credit Growth & Opportunity Act of 2019 was introduced to increase credit to 30% for smaller projects and modify certain requirements but has since stalled in Congress.[22]

There are three other factors to be considered when earning the 20% credit: the rehabilitation must meet the "substantial rehabilitation test," be completed according to the Secretary of the Interior's Standards for Rehabilitation, and operate in an income-producing capacity for at least five years. The latter is where there is the most

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[20] Technical Preservation Services, *Historic Preservation Tax Incentives* (National Park Service, 2012). https://www.nps.gov/tps/tax-incentives/before-you-apply.htm

[21] An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 - H.R.1, Public Law 115-97, 115th Congress, (December 22, 2017).

[22] Historic Tax Credit Growth and Opportunity Act of 2019, H.R. 2825, 116th Congress, (May 17, 2019).

considerable distinction in federal and state HTC programs' basic requirements. State programs are usually more flexible to building use and often cater specifically to the state's resources. These differences are further discussed in Section four. Second, a rehabilitation's cost must exceed the building's pre-rehabilitated cost and exceed the greater of $5,000 or the building's adjusted basis to be considered a "substantial rehabilitation." Lastly, the building's work must be done to the quality guidelines defined by the ten principles of the Secretary of the Interior's Standards for Rehabilitation. The Standards refer to the building and surrounding site to preserve historic materials and character-defining features.[23] The federal HTC program is administered by NPS and the Internal Revenue Service (IRS), with essential collaboration amongst each project's applicable State Historic Preservation Office (SHPO).

In financial terms, *tax credit* refers to the dollar-for-dollar reduction of federal income tax liability to the United States Internal Revenue Service as opposed to a tax deduction that lowers the amount subject to taxation. To calculate the 20% tax credit earned in the federal or state HTC programs, NPS and the Internal Revenue Code identify and regulate what is referred to as "qualified rehabilitation expenses" or "expenditures" (QREs). Generally, QREs are the costs that contribute to the repair and improvement of historic fabric, namely architectural and structural components, and their related services (i.e., architect and engineering fees and construction management costs). The former is referred to as "hard costs," and the latter is referred to as "soft costs." Systems essential to the building's operation and maintenance are encompassed by QREs as well, including

[23] Technical Preservation Services, *Historic Preservation Tax Incentives*, 4-16.

heating and cooling systems, plumbing and lighting fixtures, fire protection and suppression systems, and forms of egress.[24] Significant costs excluded from the QRE list are acquisition costs or interest therein, building enlargements (additions and all other new constructions), landscaping and other site work, feasibility studies, and demolition costs unless essential for the rehabilitation work. [25] QREs are multiplied by the credit rate to calculate the amount of tax credit awarded per project.

Economic Impacts of the State and Federal HTC Programs

Though federal HTCs fill a critical gap in the financing of rehabilitations, design standards and strict qualifications for historic structures can make the credits challenging to earn.[26] Thus, state HTC programs usually offer a bit more flexibility to applicants with different standards and processes. State tax credits programs structured to parallel the federal tax credit have leveraged additional private and local investment and encouraged the stewardship and rehabilitation of historic buildings. State HTCs that work in tandem with the federal HTC and address specific state priorities have the most social and economic benefit. State HTC programs' attributes, and their effectiveness in catalyzing affordable housing projects, will be discussed in Section four.

The tax credit equity generated by both state and federal HTCs is a critical incentive to financing rehabilitation projects that are not economically feasible and

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[24] Technical Preservation Services, *Historic Preservation Tax Incentives*, 9-10.
[25] "Rehabilitation Tax Credit (Historic Preservation) FAQs," Internal Revenue Service, last modified February 2, 2021, https://www.irs.gov/businesses/small-businesses-self-employed/rehabilitation-tax-credit-historic-preservation-faqs.
[26] Paul H. Gleye, "With Heritage So Fragile: A Critique of the Tax Credit Program for Historic Building Rehabilitation," *Journal of the American Planning Association* 54, no. 4 (December 31, 1988): 482–88, https://doi.org/10.1080/01944368808976674.

catalyzing community reinvestment. Yearly studies from Rutgers University and the National Park Service detail the direct and secondary economic consequences of HTC projects, including job creation, billions of dollars in labor income, gross domestic product, output, and generated tax revenues to the federal, state, and local governments. Historic tax credits can be incredibly impactful in small or economically disadvantaged communities; approximately 7,181 housing units (34%) created with HTCs were affordable to low- to moderate-income families in the 2016 fiscal year.[27] Additionally, 25% of HTC projects were in communities of less than 50,00 people, 75% of projects were in economically distressed areas, and 51% were in low- and moderate-income census tracts in the 2018 fiscal year.[28] The benefits at the intersection of affordable housing prospects and protecting the existing built are abundant; when supported by historic tax credits to bring economic vitality, jobs, and low- and moderate-income housing to economically distressed neighborhoods, the benefits are exponential.

The utilization of tax credits in rehabilitation projects is a positive vehicle for historic preservation. It facilitates development in American cities and towns of all sizes by leveraging private investment that would otherwise not take the financial risk. The federal HTC is intended to be a catalytic tool to finance a share of a rehabilitation project, which developers typically see as more laborious, riskier, and more costly than new constructions. However, this line of thinking fails to consider the embodied energy of

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[27] Center for Urban Policy Research and Technical Preservation Services, *Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2016*, (Rutgers University and the National Park Service, July 2017).
[28] Center for Urban Policy Research and Technical Preservation Services, *Federal Historic Tax Credit for FY 2018*.

existing buildings and the additional values and shared public good awarded by preserving historic assets. The value of historic rehabilitations is not a solely quantitative one, that is, not just one of economic benefit; additional cultural, environmental, aesthetic, social, and educational values are inherent to the preservation of the historic built environment.

Preservation Economics Literature Review

Two avenues of preservation economic literature review were conducted in the scope of this research: analysis of the economic valuation of rehabilitated historic buildings as they relate to financial incentives and the various impacts of federal and state historic tax credit programs as tools for affordable housing development. In this context, *financial incentive* refers to the monetary benefit offered to encourage and enable certain behaviors, actions, or outcomes. The methodology in assessing the value of cultural heritage rapidly evolved near the turn of the century to include basic cost studies, economic impact studies, regression analyses, contingent valuation, and choice modeling, and case studies. The evolution of quantitative measures added a new layer to evaluating historic properties, which had previously centered around cultural, social, and educational values.[29]

The second avenue of research and the majority of pertinent information to this research derived from federal and state HTC data repositories. HTC programs enabling legislation and amendments were consulted to understand each program's regulatory and

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[29] Randall Mason, *Economics and Historic Preservation: A Guide and Review of the Literature* (Washington D.C.: The Brookings Institution Metropolitan Policy Program, 2005), 11-18.

content structure. Tax credit program evaluations, end-of-year reports, and economic impact studies were used to gather program data per state. Additionally, NPS' annual report of the federal HTC program that includes data from each SHPO was sought out. In fact, the Technical Preservation Services of the National Park Service just published the fiscal year 2020 report in March 2021.[30] The report outlines state-by-state project activity, including annual applications received, applications approved, and estimated QREs at project completion per state, along with general statistics and particular case studies. In the report, cumulative QRE totals from fiscal years 2016-2020 per state were also calculated: the total QREs of the fifty states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands in that period was $30,883,046,719![31]

In addition to the data states must collect and send to NPS regarding their federal tax credit usage, states also create an annual report of the state tax credit. Many state governments require preservation departments to defend their various programs on a cost versus benefit analysis or other effectiveness measurements. The amount of leveraged funds that the tax credit program directly and indirectly generates are a standard gauge of statewide effectiveness.[32] The public availability of these reports varies by state, as do the more specific measurements and standards. State programs with a separate HTC application from the federal program dictate the values and information collected, so

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[30] Technical Preservation Services, *Federal Tax Incentives for Rehabilitating Historic Buildings: Annual Report for Fiscal Year 2020* (Washington, D.C.: National Park Service, March 2021).
[31] Ibid, 7.
[32] Donovan Rypkema, Caroline Cheong, and Randall Mason, Ph.D., *Measuring Economic Impacts of Historic Preservation: A Report to the Advisory Council on Historic Preservation* (November 2011).

concluding reports may vary significantly. This fact heavily impacted the methodology employed to complete this research.

In addition to NPS publications, two entities routinely collect data and compose comparative analyses of state tax credit programs: the National Trust for Historic Preservation (NTHP) and Novogradac, a certified public accounting and consulting firm operating in the affordable housing, development, and preservation fields. The NTHP routinely updates a policy brief summarizing the general attributes and structures of HTC programs. The most robust and updated collection of state program information was published in the November 2018 report, *State Historic Tax Credits: Maximizing Preservation, Community Revitalization, and Economic Impact*, highlighting the benefits of well-structured state programs and the varying attributes between them. A state-by-state comparison chart was included in the report and served as a critical precedent to this work; however, a more comprehensive scope was employed to compare attributes and a lens towards affordable housing projects as a result of state program usage was added.[33] Additionally, the Novogradac website served as a repository of state HTC program information and included helpful links to program resources.[34]

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[33] Renee Kuhlman, Harry Schwartz, and Shaw Sprague, *State Historic Tax Credits: Maximizing Preservation, Community Revitalization, and Economic Impact* (Washington D.C.: National Trust for Historic Preservation, November 2018).

[34] "Recent News," Historic Tax Credits Resource Center, Novogradac, accessed December 3, 2020, https://www.novoco.com/resource-centers/historic-tax-credits.

4. STATES HISTORIC TAX CREDIT PROGRAMS

General Structure of the Programs

State HTC structures and attributes make some programs more effective than others at stimulating historic rehabilitations; generally, attributes are first evaluated for their ability to best ensure stakeholders will earn the full credit. Constricting attributes that limit credit availability by an arbitrary or restricted allocation system or by inflexibility with a tax liability can quickly lose investment opportunities. In contrast, attributes that work to ensure credits to all applications that meet the determined standards in a timely and efficient manner best enable a diverse set of rehabilitations.

The typical structure of state HTC programs is derived from the enabling state legislation (and sometimes amendments) and the administering agencies that provide technical assistance and approve applications. Lead agencies are often the state historic preservation office that work in conjunction with the state departments of economic and community development, cultural affairs, or revenue. Parallel to the federal program, each state program's structure defines the criteria of which building typologies or ages qualify for the credit, the preservation standards to guarantee that the rehabilitation maintains the historic and architectural character of the building, a method for calculating the value of the credit awarded, and what are defined as QREs.[35]

State HTC programs are structured differently from one another and their federal equivalent, meaning that qualitative differences affect their utilization and outcomes as

[35] Harry K. Schwartz, *State Tax Credits for Historic Preservation: A Policy Report Produced by the National Trust for Historic Preservation* (Washington, D.C.: National Trust for Historic Preservation, March 2013).

rehabilitation projects. Often, state programs allocate credits to building typologies specific to their state priorities – including residential properties, barns, mills – by creating a separate HTC program, increasing the credit percentage, or allocating a certain percentage of total program credits to applications of those project types.[36] Unlike the federal program that is firmly restricted to income-producing properties, many states' HTC programs include a credit percentage to historic homeowners in addition to income-producing properties.[37] It is also important to note that additional economic and market factors affect each state's tax credit utilization (e.g., those without income tax). For example, Texas does not have a state income tax; therefore, the credit is taken against business franchise and insurance premium taxes. These effects are further discussed in the subsequent case study analysis in Section 5.

As determined by their legislation, each state's HTC program varies in typical attributes that determine how tax credits are earned and allocated. Typical attributes are annual aggregate caps, project caps, credit and compliance periods, transferability, recapture tax, relation to the federal program, and minimum investments. These provisions were analyzed in each state HTC program and compiled into an evaluative grid with additional notes (refer to Appendix I). The evaluative grid is used to compare state programs to one another, reference specific attributes in conjunction with the affordable housing case studies, and determine the enabling and constraining affordable rehabilitations attributes. Only state HTC program that are enacted and funded are

[36] Kuhlman, Schwartz, and Sprague, *State Historic Tax Credits*, 6.
[37] Connecticut, New York, and North Carolina have multiple state HTC programs that are for non-income-producing properties. Many other states have a credit percentage for homeowner properties under one program, sometimes a small percentage increase as well.

included in the comparative analysis scope – each structured differently, comprised of diverse defining attributes, and varied in application content, reporting measures, and publication processes. Consulted resources included enacting legislation, amendments, additional data from program evaluation studies, economic impact reports, the state-by-state comparison chart created by the NTHP, and the Novogradac website.[38]

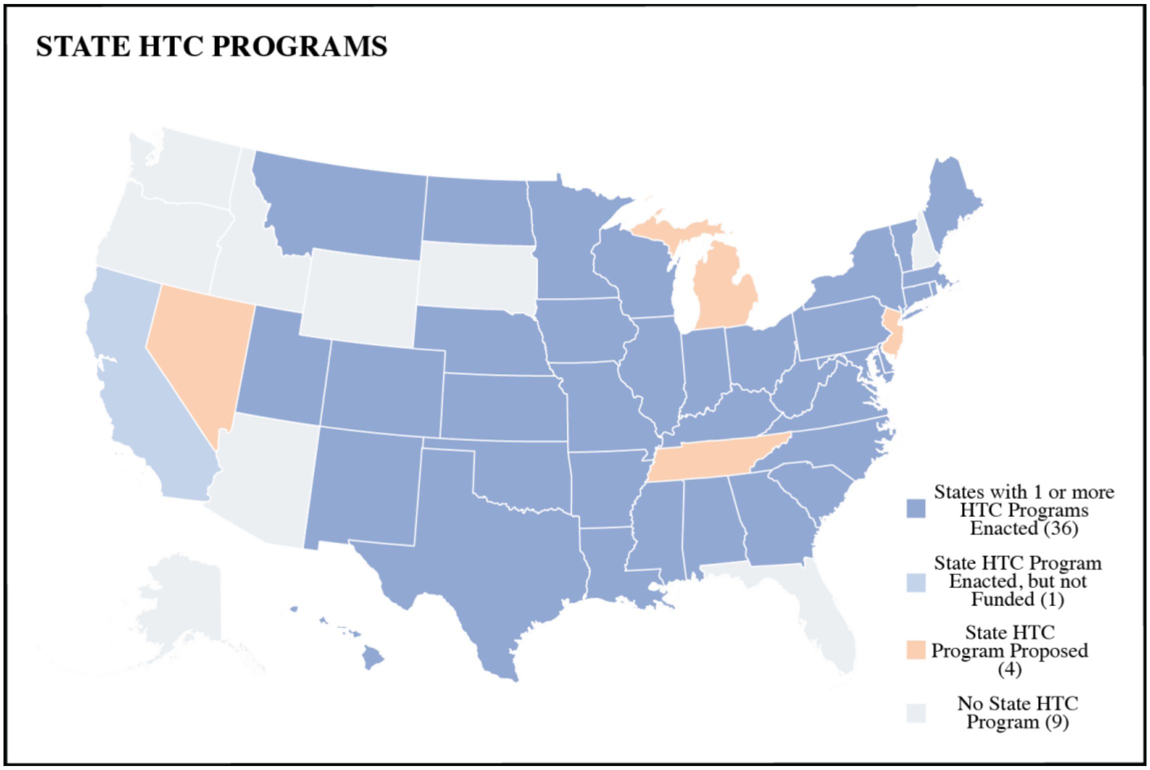

Figure 4.1. States with Historic Tax Credit Programs. Map generated by Author based on data from Novogradac and enabling legislations.

Enabling Attributes of the State HTC Programs

The highest performing credits by the standards of this research, meaning those that preserve the most significant number of historic buildings and drive the most reinvestment in affordable housing projects, guarantee credit allocation in a timely and

[38] Kuhlman, Schwartz, and Sprague, *State Historic Tax Credits*.

efficient manner. The first enabling attribute of an effective state HTC program is its relation to the federal program and the ease of earning both credits. The basis for this is relatively simple: the presence of an active state tax credit program boosts the use of the federal credit and therefore provides two streams of capital to a project. Affordable housing projects especially rely on various forms of capital to be feasible and maintain lower rents.

Many state HTC programs follow the same model as the federal program; others diverge in the type of tax the credits are applied to, the building typology for reuse, and building function. There is an ease to state programs that are parallel to or completely combined with the federal program. For instance, no application for the HTC program in Montana is required when a federal application is successful. This synonymous application process is simple, straightforward, and effective in leveraging applicants' maximum credit amount. More common, however, are state programs that parallel or mimic the federal program in the application, designation, and integrity standards. The state application is often a separate document but requires the same qualifications as the federal application and follows a similar stepped process and credit allowance trajectory.[39] Though separate applications must be submitted, the scope and work are the same and therefore enable applicants to successfully claim both.

[39] A side effect of this usually enabling attribute was best exemplified in the disillusion of Indiana state program's for income-producing properties. The combination with the federal program overwhelmed the annual aggregate cap with only a few projects and rendered the program relatively ineffective in scale and scope. Learned from Ashley Thomas in a phone call with Author, April 8, 2021. One way state programs combat this issue is to control the number of credits allocated to projects of a certain QRE threshold. For example, the Colorado Job Creation Main Street Revitalization Act specifies the state program oversees 50% of credits awarded to projects with QREs less than $2 million and 50% to projects with QREs more than $2 million.

A second enabling attribute is the existence of a mechanism to claim the entirety of credits allocated, even if it means distributing the credits to a party with the tax liability to utilize it. This a more simply known as transferability: the ability to allocate or make an outright assignment of the tax credit to another person or entity, usually through a partnership.[40] The federal HTC program facilitates a transfer of credit only through full or partial ownership of the property; syndication through limited partnerships is a standard tool to bring investors into projects in exchange for equity.[41] Depending on the state HTC programs' structure, they can draw in additional private capital from investors to guarantee credits with limited or no ownership. For example, Massachusetts' program allows for the transfer of partial or full credit to any individual or entity without the requirement of transferring any ownership interest. Kansas, Kentucky, Oklahoma, and Missouri are structured for direct transfer of credits, allowing the applicant to sell or convey the tax credits outright to a third party with the appropriate tax liability to use it.[42] A transferability mechanism encourages increased stakeholder participation in the credit project process through an additional avenue toward tax credits.

Additional attributes that help to ensure the full amount of credits eligible are given to the applicant and maximize potential subsidy are refunds and the ability to carry excess credits forward or backward. *Refundability* refers to the issuance of a credit back, often paid in cash, to the taxpayer if the earned credit exceeds the amount of tax owed. A refundable tax credit is especially valuable to affordable housing applicants to offset the

[40] Kuhlman, Schwartz, and Sprague, *State Historic Tax Credits*, 7-9.
[41] Internal Revenue Service, “Rehabilitation Tax Credit (Historic Preservation) FAQs.”
[42] Schwartz, *State Tax Credits for Historic Preservation*, 3.

lowered return in rent as opposed to market-rate rent. Similarly, the ability to carry the credit forwards or backward if it is not entirely usable in the applicable fiscal year is vital to acquiring the maximum credits available. As per Internal Revenue Code Section 39(a), the federal HTC program allows for any portion of the credit that cannot be used to be "carried back" one year and "carried forward" up to twenty years.[43] More specifically, the balance of earned credit that exceeds tax liability can be applied against taxes of the previous fiscal year or a certain period of future fiscal years. The majority of state programs contain a carry forward provision ranging from 4-15 years, and only a select few can carry back or have full refunds.[44] In general, applicants assured they will receive the maximum amount of credits earned despite the tax system's logistical complications – i.e., adequate tax liability, credit surplus in a particular year – are best equipped to seek out additional investors to enable historic rehabilitations. Additional investors and revenue sources, as well as maximizing and guaranteeing credit allocation to all applicants are especially crucial to affordable housing project's delicate funding.

The attributes described above are generally positive features that secure the highest amount of tax credit, offer flexibility in transfer, serve those that can use the credit, and facilitate the complete credit acquisition over time. They are not necessarily directed towards affordable housing outcomes. However, they are enabling in that they generate increased program usage and private capital, which in turn increases the feasibility of less lucrative projects like affordable housing. Because the financial gap is

[43] Carryback and Carryforward of Unused Credits, "U.S. Code 26 (2018) § 39, https://www.law.cornell.edu/uscode/text/26/39.
[44] Nebraska and New York programs allow for unlimited carry forward. See Kuhlman, Schwartz, and Sprague, *State Historic Tax Credits*, 12.

more significant in affordable units than market-rate units, more capital and additional funding streams are critical to subsidize them.

One attribute among a handful of HTC programs that does directly incentivize rehabilitations with affordable housing is an increased percentage rates for low- to moderate-income rental housing units. In addition to the traditional income-producing credit percentage, a few state HTC programs have a credit percentage increase when the intended project includes affordable housing units. For example, Maine increases an additional 5%-10% from 25% if the rehabilitation project meets specific affordable housing requirements.[45] Embedded in Massachusetts' program is a different but also effective strategy, which sets aside 25% of their total credit reserves for projects with a housing component. State HTC programs that are incentivizing housing – particularly affordable housing – through increased credit opportunities directly address and combat the housing need by rehabilitating historic buildings. Moreover, programs that dedicate a certain share of total credits to specific application types or prioritize certain projects through a selection criteria, are ensuring applications with affordable housing outcomes are equitably receiving the financial support that is required to be feasible.

Constraining Attributes of the State HTC Programs

In contrast, there are a few common attributes among state programs that limit the accessibility of credits and diminish the potential value for applicants and potential

[45] Requirements relate to the share of total square footage used for housing and the share of which are affordable. More information is given in the subsequent case study analysis. See the legislation for specific wording: Credit for Rehabilitation of Historic Properties After 2007, 36 ME Rev Stat § 5219-BB http://legislature.maine.gov/statutes/36/title36sec5219-BB.html.

investors. The two most prominent include a numeric limit to the amount of the credits available by project and by yearly allocation of credits for the entire state. These are known as project caps and annual aggregate caps. The former constitutes a statutory limit on the number of credits available for allocation by individual projects. The latter is a total amount distributed by the program per fiscal year. Individual project caps neglect the variation in rehabilitation type and size that state HTCs are intended to support, relegating each to the same credit limit despite various project qualities and needs for feasibility. The level of restriction in project caps per program depend on how high the limit is set; especially low caps impede on large, impactful projects like housing. Therefore, enforcing arbitrary caps on a diverse set of projects leads to lost investment opportunities and decreased program usage.

Enforcing a limit on annual credit allocation by program shares many flaws with the individual project cap and has additional consequences. The negative impact of an annual aggregate cap is best summarized in a policy report by the National Trust for Historic Preservation:

> "Projects that truly require the state credit to be financially feasible have tended to be discouraged from participating because of the lack of certainty as to the outcome, the cost of preparing a competitive application that nonetheless may be unsuccessful, and the difficulties of keeping financing commitments in place during the evaluation process."[46]

Such a restriction and resulting uncertainties are exponentially strenuous on applicants for affordable housing projects dependent on maximizing subsidies to retain affordability.

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[46] Schwartz, *State Tax Credits for Historic Preservation*, 1.

In addition to the increased risk undertaken due to a low annual limit, annual aggregate caps often do not facilitate equitable distribution of credits.

In many programs when the cap is met, applicants are left to compete for credits on a first-come, first-serve basis or partake in a lottery. The former system puts small projects or projects for economically distressed areas without the staff-power at a significant disadvantage to produce and adapt applications quickly. The latter system does not promote diverse projects or empower projects with additional public value beyond the minimum standard of the application, like supporting housing for low- to moderate-income populations in need. Instead, limiting credits either by project or by total program allocation puts applicants in a riskier financial position, coerced into foregoing the credit altogether or incurring a greater expense. For affordable housing, that unnecessary risk and instability drives up rents to make the project financially feasible. Project caps and annual aggregate caps are constraining attributes to most historic rehabilitations but are especially detrimental to the funding of affordable housing projects.

There are a few alternative ways that state HTC programs meet the benefits of budgetary oversight granted by project and aggregate caps without nearly the same level of restrictions. For example, states like Maryland differentiate project cap by size and function of the building. Georgia's program increases the project cap if the project proves to create a specified number of full-time jobs or salary within two years of the placed in service date. Louisiana and Pennsylvania cap by the taxpayer claiming the credit as opposed to one project. As for aggregate cap alternatives, Iowa’s program diverts 5% of credits to projects with less than $750,000 QREs – thus ensuring credit opportunity to smaller projects that otherwise might be neglected if big projects earn all the credit designated for the year. A few other states delegate a percentage of the aggregate cap to certain state regions, targeting state investment priorities or economically disadvantaged areas. Pennsylvania equally splits its aggregate cap into five regions where there is financial need. These alternatives reduce the constraining effects of caps through targeted, intentional initiatives and prioritization but can still negatively impact program effectiveness, especially as it pertains to affordable housing projects.[47]

In conclusion, the most effective state HTCs provide applicants with the certainty that they will receive all the credits they are eligible to receive; affordable housing rehabilitations are especially dependent on maximizing and stabilizing tax credit allocation. Ease in combining with the federal credit to maximize capital, expanding transferability options to potential investors, and sanctioning excess credit to other fiscal years through carrying forward or backward are significant enablers of state HTC usage and affordable housing financing. A percentage increase specific to affordable outcomes is incredibly empowering. In contrast, the inclusion of annual aggregate caps and project caps significantly constrains the security and efficiency of state HTC programs. By limiting credit distribution on projects that meet the standards, caps capriciously neglect investment in historic rehabilitations that serve a public good. Specifically, affordable housing projects are disadvantaged by the limiting of capital potential and stability.

[47] This information about program structure and use are derived from the evaluative grid in Appendix I, combining all enabling legislation, amendments, and additional sources into one research resource.

5. CASE STUDIES WITH STATE HTC PROGRAM DATA

Methodology

Each historic state credit program comprises of different attributes and vary in application content, reporting measures, and publication processes. As discovered in the research, affordable housing as an outcome of historic rehabilitations with state credit is not a data point many states have. Building use after rehabilitation is either not a required field on the tax credit applications or specified in the annual reports state agencies produce. Moreover, secondary resources like economic impact reports offered other data points that were either inconsistent across state programs or did not directly benefit this research, which so purposefully focuses on affordability. This evolving knowledge changed data collection and analytical means by simplifying methodologies and narrowing quantitative research points. First, the attributes that structure each state HTC program were collected from a standardized reading of enabling legislation and compiled into an evaluative grid. Observations learned from cross-analyzation were then supplemented by information from a survey sent to tax credit coordinators and other professionals in administering agencies. Case studies were chosen from the responses to evaluate the observations made regarding enabling and constraining attributes.

To gather the necessary data to assess affordable rehabilitations using state historic tax credits, a short survey was sent to a tax credit professional in each administering agency. Each correspondence inquired about the following four data points for fiscal years 2015 to 2020: the total dollar amount of state HTCs awarded, the number of housing units created with state credits, the number of *affordable* housing units created with state credit - meaning units serving moderate- to low-income residents based on the area's AMI - and finally, percentage share of state credits that went to affordable housing units. The professionals were also asked an subjective question: in your experience, how effective is the state historic tax credit program at supporting affordable housing project? The response rate was encouraging but verbalized many of the research challenges already faced: affordable housing data is simply not tracked in many state programs. Thus, in many cases, the answer to a primary research question was clear: many state HTC program structures do not enable affordable housing – it is not even considered in the application or reporting processes.

Affordable housing data disparities across all states were the first indicator of the state HTC program's ability to enable affordable rehabilitation. Subsequent analysis of the information provided by program professionals' survey responses, additional correspondences, and secondary resources helped identify additional indicators. Five states were selected for closer analysis from the group of professionals who could communicate data, share reports, and supply context to the program’s development and usage. State HTC programs of Maine, Illinois, Vermont, Texas, and Pennsylvania, are evaluated for the enabling and constraining attributes identified in the greater comparative analysis: the relationship to the federal program, transferability, carry forward and carry back, annual aggregate cap, and project cap. Additional attributes, contexts, or externalities that affect affordable housing rehabilitations are teased out as well. Professional responses are graphed based on the availability of data and shared attributes. For example, Texas and Illinois’ total HTC credits awarded are graphed to show fluctuation in credits because they do not have annual aggregate caps. Moreover, percentage share in Vermont and Pennsylvania are explored because they are more restricted by the aggregate cap and award significantly less on a yearly basis. Maine is one of a few states that track square footage within housing data because those numbers play a critical role in determining the affordable housing credit increase. Additional survey responses and related data collection are represented in Appendix II.

1. Maine

Maine's State Historic Rehabilitation Tax Credit Program includes two substantial incentives with two very different and intentional goals: the "Substantial Rehabilitation Credit," a 25% state credit for projects that also qualify for the 20% federal credit, and the "Small Project Rehabilitation Credit," a 25% state credit for projects with certified QREs between $50,000 and $250,000."[48] The Maine Historic Preservation Commission administers the state credits in consultation with the Department of Administrative and Financial Services and the Bureau of Revenue Services.

A distinct and critically important attribute that the Maine state HTC program has is the "Affordable Housing Rehabilitation Credit Increase." As the name suggests, the credit percentage is increased 5-10% incrementally if either 50% of the aggregate square feet of the completed project is housing and half of the aggregate square feet is affordable housing, or at least 33% of the aggregate square feet of the completed project create new affordable housing. [49] The credit has been incredibly successful in preserving affordable housing units and creating others, especially in previously vacant buildings. One

[48] "Tax Incentives," Maine Historic Preservation Commission, accessed March 14, 2021, https://www.maine.gov/mhpc/programs/tax-incentives.
[49] Kuhlman, Schwartz, and Sprague, *State Historic Tax Credits*, 23.

supportive and valuable feature of the increase is the required maintenance and retention of the affordable units for 30 years following the date placed in service; otherwise, the property owner is subjected to defined repayment provisions.[50] The credit increase is supervised by the Maine State Housing Authority (MSHA), for which the additional eligibility requirements are decided.[51]

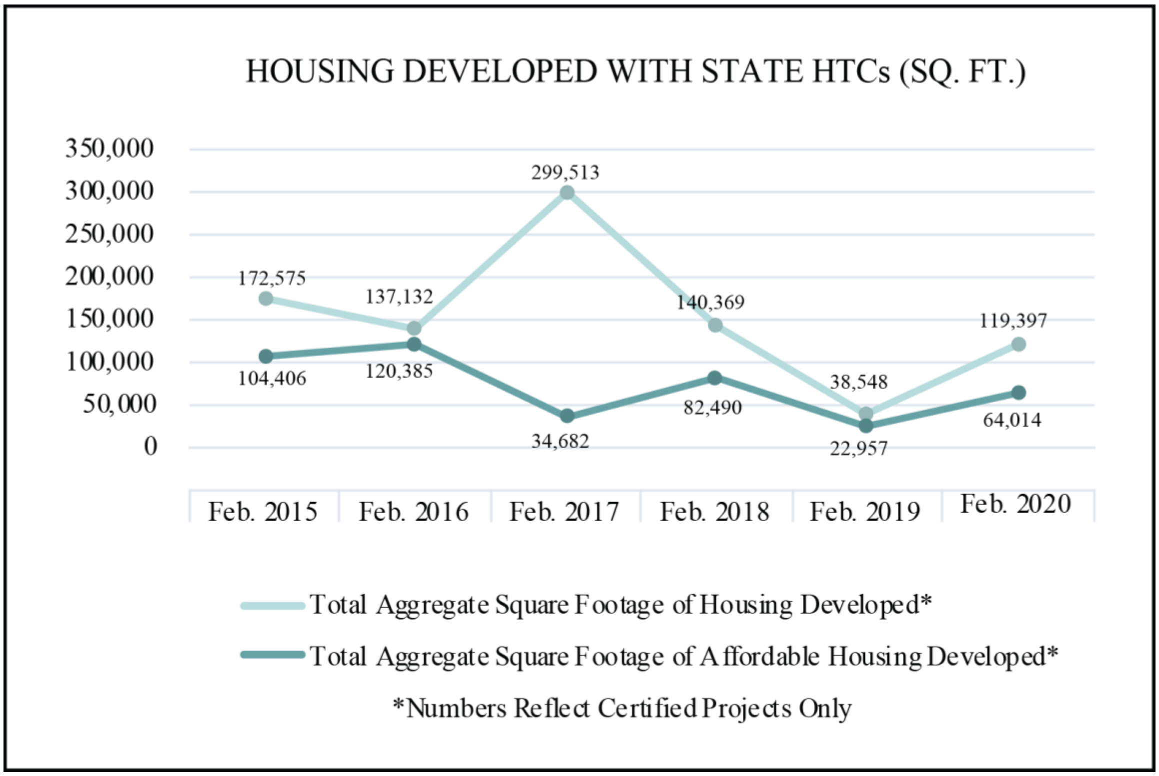

Figure 5.1. Maine. The square footage of housing unit types that were developed with state historic tax credits from approximately 2015-2020. To qualify for a tax credit increase for affordable housing, projects must meet certain square footage criteria. Graph generated by Author based on data provided by the Maine Historic Preservation Commission.

The two parts of Maine's state HTC program vary in their relationship to the federal program. For the "Substantial Rehabilitation Credit," Maine automatically qualifies state historic tax credits for rehabilitations that also qualify for the federal HTC

[50] Maine Statutes, Title 36, § 5219-BB.
[51] Maine Historic Preservation Commission, “Tax Incentives.”

program, utilizing the same eligibility criteria and effectively streamlining the review process. Thus the combined credit value is 45% of QREs.[52] In contrast, the "Small Project Rehabilitation Credit" is specifically not available to projects that claim federal credit. However, applicants are still required to meet all federal tax code criteria except the "substantial rehabilitation test" (the cost of rehabilitation to exceed the building's pre-rehabilitation cost).[53] The state HTCs are required to be taken in equal installments over four years, beginning with the year placed in service – this helps the state reduce the annual budgetary impact of the credit and sustain such a high project cap: $5,000,000. It also helps offset fluctuations in credit usage because there is no annual aggregate cap.

As per the enabling legislation, Title 36, section 5219-BB, secondary allocation of credits are all allowed through a partnership or a limited liability company taxed as a partnership. Within the determined structure, the allocation method default is pro rata, but a documented alternate agreement among the partners and members is accepted too. The basis language is relatively vague but has a distinct condition that is beneficial to affordable housing projects: the credits can be allocated "to partners, members, or owners that are exempt from taxation under Section 501 (c)(3), Section 501 (c)(4) or Section 501 (c)(6) of the [Internal Revenue] Code, and those partners, members or owners must be treated as taxpayers for the purposes of this subsection."[54] Organizations under those Sections are tax-exempt and typically disqualified from tax credit eligibility. This is an important distinction for affordable housing outcomes because a significant share of

[52] Maine Historic Preservation Commission, "Tax Incentives."
[53] Technical Preservation Services, "Historic Preservation Tax Incentives," 9-10.
[54] 36 ME Rev Stat § 5219-BB.

nonprofit organizations center on affordable housing work. If these organizations can participate in historic rehabilitations with state tax credit incentives, the outcomes can be far-ranging and highly beneficial. Also within the legislation is the provision that all state HTC credits are fully refundable, which directly ensures investors earn the entirety of their eligible credit.

State HTC credit usage and related affordable housing data were primarily supplied by program reports that tracked statistics between years (February to the following February). The annual reports distinguish the total aggregate square footage for housing from the total aggregate square footage for affordable housing. This is due to a minimum percentage required to earn the affordable credit percentage increase. The credit increase is a distinguished catalyst for the creation and maintenance of affordable housing units in Maine! In two of the last six years, the majority of affordable units subsidized by the state tax credit were previously existing affordable units that were able to preserve affordability throughout the rehabilitation. Of the total number of housing units created with state HTCs in the last few years, a significant share were affordable units. Moreover, the high project cap at $5,000,000 and absence of an annual aggregate cap has enabled tens of millions of dollars in QREs and private investment over a significant number of projects across the state.

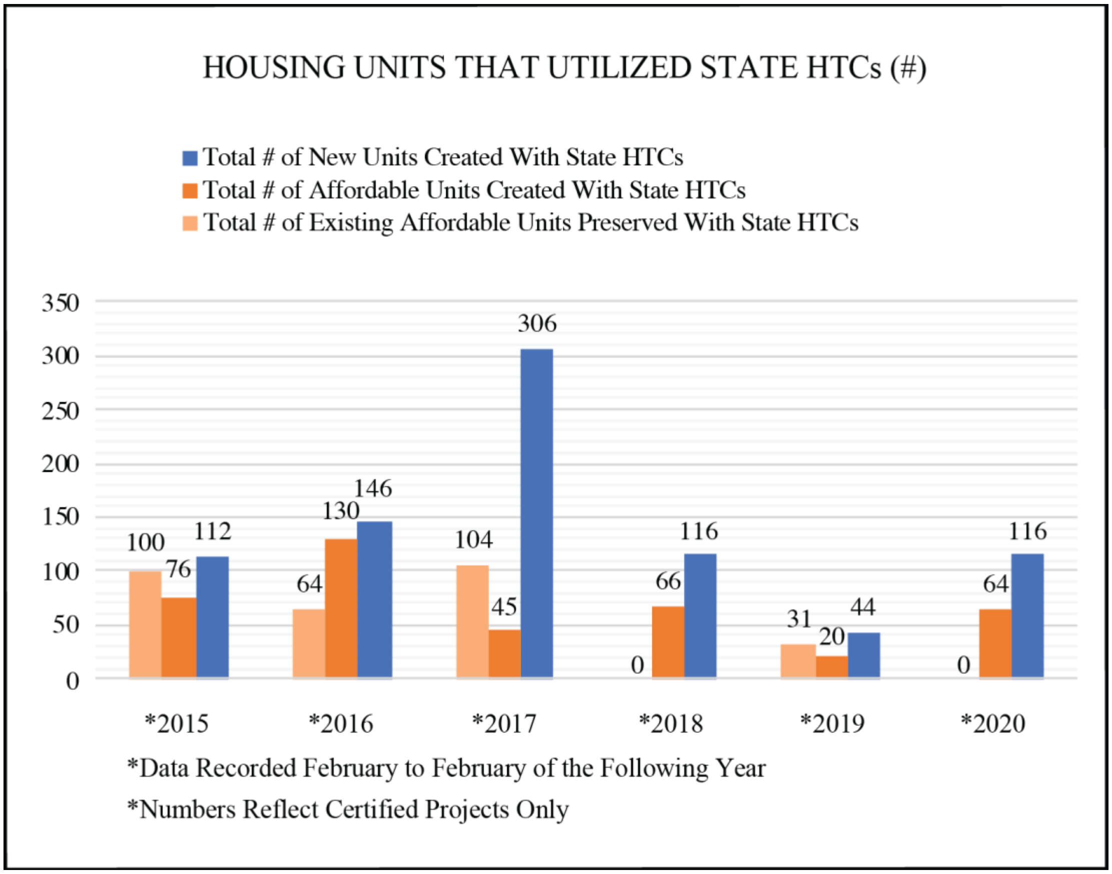

Figure 5.2. Maine. The number of housing units that utilized state historic tax credits, differentiating the number of existing affordable housing units that were preserved from the newly created units from approximately 2015-2020. Graph generated by Author based on data provided by the Maine Historic Preservation Commission.

2. Illinois

The River Edge Historic Tax Credit Program (RE-HTC) asserts a 25% credit value for income-producing properties located within River Edge Redevelopment Zones – designated zones in Illinois' cities Aurora, East St. Louis, Elgin, Peoria, and Rockford. The Illinois State Historic Preservation Office administers the RE-HTC within the Illinois Department of Natural Resources, a relocation that went into effect on January 1, 2019. The tax incentives are claimed on Illinois Income Tax filing forms. Since its enactment on January 1, 2012, the program has undertaken substantial rehabilitation investments, created local jobs, and reinvigorated the economies of River Edge communities designated by the Illinois Department of Commerce through the reuse of historic assets.[55]

As with Maine, the five selected attributes of the Illinois RE-HTC are investigated as they correlate with affordable housing rehabilitations. First, the RE-HTC must be applied for in conjunction with the federal HTC. The two RE-HTC application forms were designed to complement, not duplicate, the federal forms; therefore, the state program has its own set of steps. The qualifications are parallel to the federal program – it must be a certified historic structure and certified rehabilitation in compliance with the Secretary of the Interior's Standards for Rehabilitation – but are documented in separate forms. Additionally, all work on the project interior and exterior must meet the Standards for issuance of a RE-HTC certificate. The Illinois SHPO works in conjunction with NPS to confirm the qualifications are met but ultimately determine the amount of eligible state tax credits.[56]

An awarded state tax credit may not be sold or otherwise transferred to another person or entity, but as with the federal HTC, it can be syndicated through the use of a limited partnership.[57] The enabling legislation allows for credits to be granted to a partnership, a limited liability company (LLC) taxed as a partnership, or other multiple property owners on a pro rata basis – distributed proportionally – or distributed in another

[55] "River Edge Redevelopment Zone," Illinois Department of Commerce & Economic Opportunity, accessed March 11, 2021, https://www2.illinois.gov/D.C.eo/expandrelocate/incentives/taxassistance/pages/riversedge.aspx.
[56] "River Edge Historic Tax Credit Program," Historic Preservation Division, Illinois Department of Natural Resources, accessed March 11, 2021, https://www2.illinois.gov/dnrhistoric/preserve/pages/ihpa-tpc.aspx.
[57] Ibid.

manner as agreed to by the stakeholders.[58] As per the revised provisions of Illinois Public Act 100-0629 signed in 2018, if the credit amount exceeds the income tax liability for the year placed in service, then the excess credit can be carried forward and applied to the tax liability of the succeeding ten years.

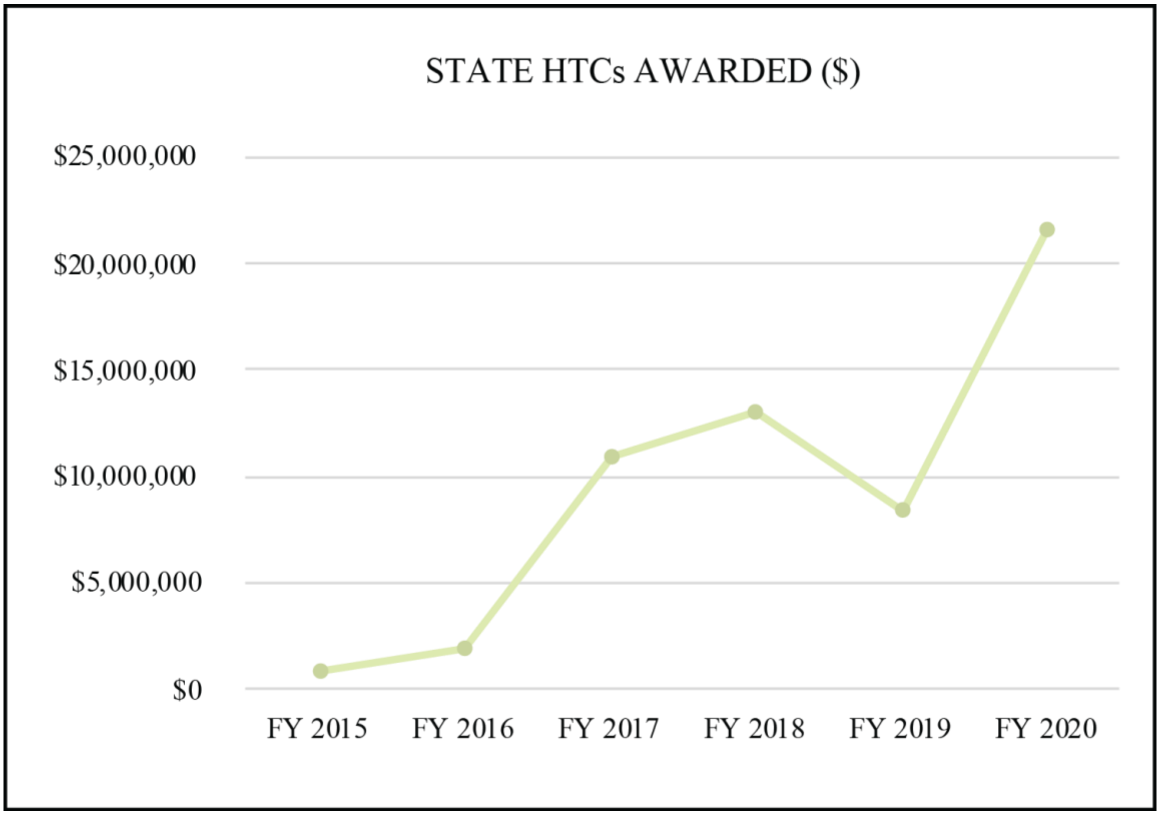

Figure 5.3. Illinois. The amount of state historic tax credits awarded in the fiscal years 2015-2020. Graph generated by Author based on data provided by the Illinois State Historic Preservation Office.

Additionally, the RE-HTC's conjunction with the federal HTC massively boosts the influx of investment into rehabilitation projects, providing a combined credit equal to 45% of a project's qualified expenditures. Paired with the lack of an annual aggregate cap or a project cap, the allocation of state credits per year is comparatively quite high;

58 Illinois General Assembly, "Public Act 100-0629," 100, accessed April 4, 2021, https://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=100-0629.

despite an anomaly in 2019, the allocation of credits has been steadily trending upwards since fiscal year 2015. In fiscal year 2020, approximately $21,567,229 HTCs were awarded, of which, 179 housing units were produced.[59] Despite this impressive utilization and allocation of state HTCs, the share of affordable housing units created is very low. Of the past six fiscal years, only 2017 and 2020 reported the creation of affordable units: 56 and 54 units, respectively. This noticeable lack of affordable units suggests that a high allocation of credits does not necessarily correlate with the creation of housing, or specifically, affordable housing. While a lack of annual and project caps does generally lead to increased investment, expenditures, and credit allocation, it does not increase the probability of certain project types.

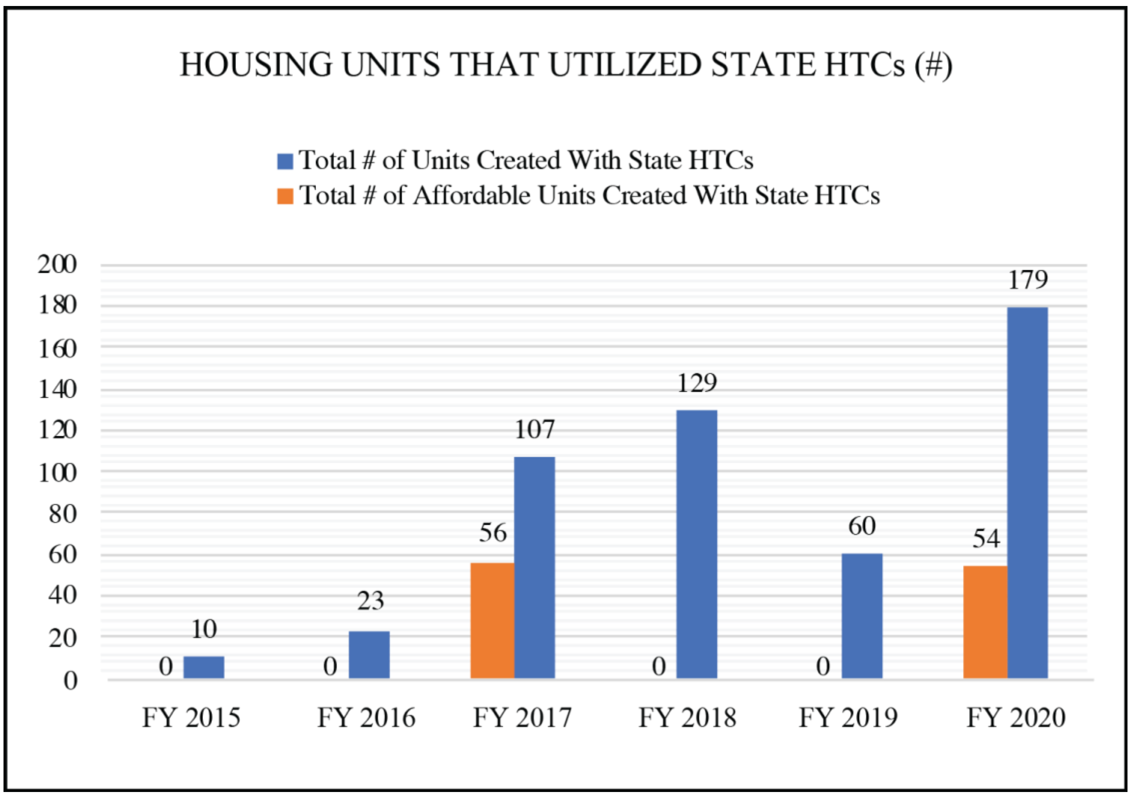

Figure 5.4. Illinois. The number of housing units that utilized state historic tax credits in the fiscal years 2015-2020. Graph generated by Author based on data provided by the Illinois State Historic Preservation Office.

[59] Ibid., 100.

3. Vermont

The Vermont state HTC program consists of three distinct tax credits supporting the renovation and redevelopment of historic buildings located within "designated Downtown and Designated Village Center districts" and built before 1983. The credits subsidize historic rehabilitations, code compliance renovations, and exterior improvements to building façades.[60] The first credit is the "10% Historic Rehabilitation Tax Credit," which provides an additional 10% Vermont income tax credit on QREs in projects intended to be combined with the federal HTC. The maximum credit per project is $50,000. The second credit is the "25% Façade Improvement Tax Credit", a state income tax credit for up to 25% of eligible façade improvements. The maximum allocation per project is $25,000. Projects eligible for the 10% Historic Rehabilitation Credit are ineligible from also receiving the 25% Façade Improvement Tax Credit. However, both credits are subjected to design standards.[61]

The third and final tax credit is the "50% Code Improvement Tax Credit", which includes work required to bring a building into compliance with building access and life safety codes. These capital improvements often include elevator and sprinkler installation or maintenance; there is a tax credit allocation of up to $50,000 for elevator work and up to $50,000 sprinkler systems per project. Platform lifts have a tax credit allocation of up to $12,000. Also within the scope of work supported by this credit are "other code work

[60] "State and Federal Tax Credits," State of Vermont, Agency of Commerce and Community Development, accessed March 13, 2021, https://accd.vermont.gov/historic-preservation/funding/tax-credits.
[61] Vermont Agency of Commerce & Community Development, *Application Guidelines for Vermont Income Tax Credits for Building Rehabilitation Projects in Designated Downtowns and Village Centers*, (October 2, 2006).

required to meet ADA, electrical or plumbing codes, the abatement of hazardous substances like lead paint and asbestos, and the redevelopment of contaminated property under a plan approved by the Secretary of Natural Resources." The tax credit allocation available for the collective costs of these qualified improvements is up to $25,000 per project. The 50% Code Improvement Credit can be combined with either the 10% Historic or the 25% Façade Improvement Credit by applying on a single application.[62]

The state tax credits cannot be used on a building used solely as a single-family residence. As opposed to Maine's state HTC program that only allows nonprofit participation in the form of a partnership, nonprofit organizations are eligible to apply for Vermont state tax credits directly.[63] Of the three credits, only the 10% Historic credit was designed to be twinned with the federal credit; other credits are prohibited from being earned if the federal credits are. The state credits are claimed in the year the rehabilitation is completed; if the applicant does not have sufficient tax liability for that year, the credits can be carried forward for up to nine years after the initial claim is made. However, there is not a carry back allowed for the excess credit.[64]

State credit may be sold to Vermont-based banks or insurance companies; as per the enabling legislation, instead of using a tax credit to reduce its tax liability, an applicant may request the credit in the form of a bank or insurance credit certificate that can then be sold to the bank or insurance company. A bank may accept the certificate in return for cash, "for adjusting the rate or term of the applicant's mortgage or loan related

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[62] Vermont Agency of Commerce & Community Development, *Application Guidelines for Vermont,* 1-2.
[63] Federal, state, and local governments are not allowed to apply. See Ibid., 1-6.
[64] Vermont Agency of Commerce & Community Development, *Downtown and Village Center Tax Credits: Frequently Asked Questions* (2016), 2.

to an ownership or leasehold interest in the qualified building", or to reduce its franchise tax liability. An insurance company may accept the certificate in return for cash and for use in reducing tax liability. Both entities can reduce their tax liability in the first fiscal year the building is placed in service or the successive nine years.[65]

The annual aggregate cap has varied in the past few fiscal years; the aggregate cap has remained relatively around the $2.4 million threshold but has steadily increased since 2018. In 2021, $3,000,000 of state tax credits are available. State tax credit applications are submitted to the Department of Housing and Community Development annually on July 1. Allocations are competitively awarded, reviewed by the Downtown Development Board, and scored based on the defined "Competitive Criteria" before making allocation decisions at their meeting later in the month.[66] Individual members of the Board judge three scoring criteria corresponding to sections of the program application, responses are averaged, and projects are funded in rank-order by total score until the aggregate cap is met. The three criteria and their subsequent questions refer to project scope and timeline, project budget, and public benefit. There is a tiebreaker system in place if projects score the same; however, the Board may fund projects at its discretion.[67] The relatively low

[65] Vermont Statutes, Title 32 V.S.A § 5930dd.

[66] Two criteria questions conducive to affordable housing applications include: is there a financial gap, and if so, will the credit allow the project to proceed? And will the project attract a new business, create jobs, or fill a need for housing? For more information on the scoring criteria and related processes, see Vermont Agency of Commerce & Community Development, *Downtown and Village Center Tax Credits: Guidelines and Application* (2021), 4-8.

[67] The first consideration in the tie breaker system is the geographic distribution of applications. The number of previous tax credits awarded to a project and/or applicant is considered next, followed by priority to a project and/or applicant that has not received funding through the program in the past. If there is still a tie, the remaining tax credit is divided between the tied projects based on each application's credit percentage. For additional information on the allocation process, see Vermont Agency of Commerce & Community Development, *Guidelines and Application*, 4.

aggregate cap is allocated critically and competitively to prioritize projects that provide the most public benefit.[68]

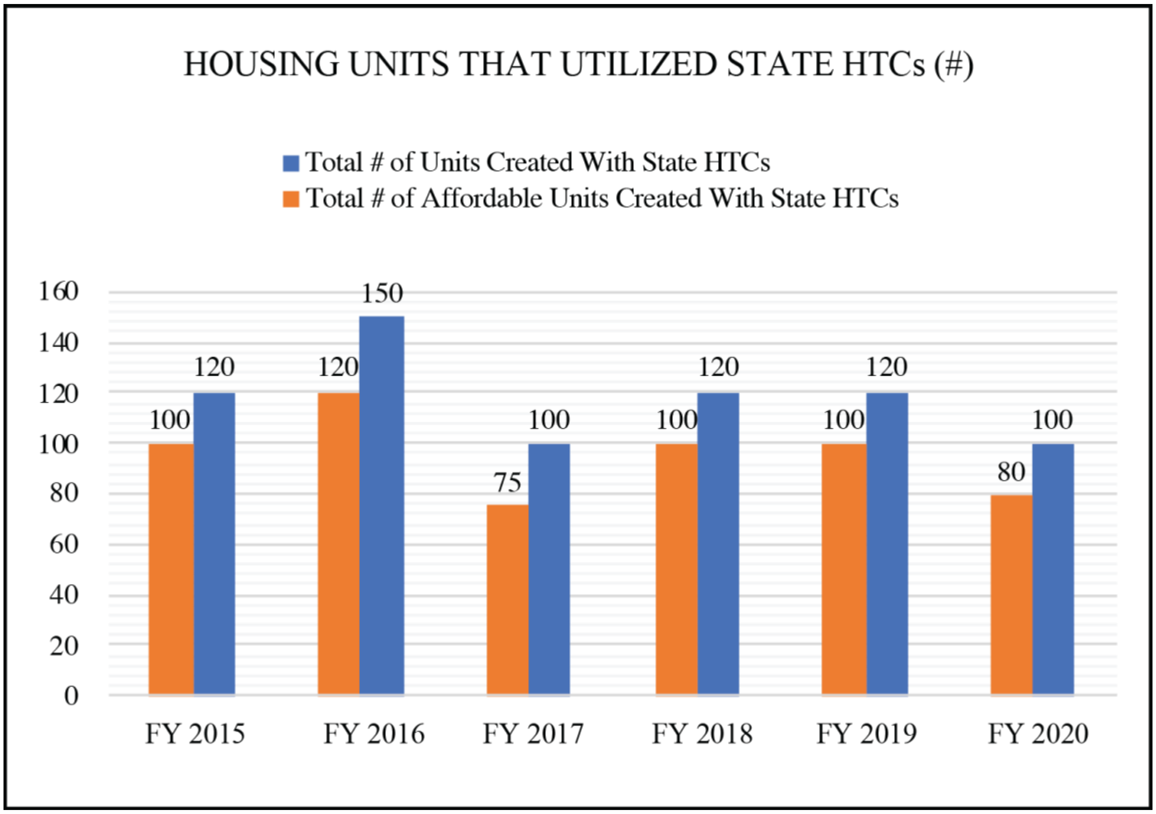

Figure 5.5. Vermont. The number of housing units that utilized state historic tax credits in the fiscal years 2015-2020. Graph generated by Author based on data provided by the Vermont Agency of Commerce and Community Development.

Between 2016-2020, 112 projects were awarded state tax credits, 53 communities had a tax credit project, $12.7 million state tax credits were awarded, and $307 million in private investment was spurred from state HTC projects.[69] These numbers speak to the diversity of tax credit percentages within the program encouraging capital improvements

[68] Vermont Agency of Commerce & Community Development's *Downtown and Village Center Tax Credits: Frequently Asked Questions (2016)*, 1.
[69] Vermont Agency of Commerce & Community Development, *Downtown and Village Center Tax Credits: Program Overview*, 1-2.

and historic rehabilitations, the well-organized structure of the program and administering entities, and the state’s benefit from the program’s investment.

The share of state HTCs that went toward affordable housing represents the percentage of credit as a dollar amount that was allocated to projects with an affordable housing component. For example, in the fiscal year 2015, $550,000 in state tax credits out of the total $2,200,000 allocated were associated with affordable housing projects (25%). This is a significant portion of credit allocation and suggests enabling attributes. Despite an aggregate cap regularly met, the allocation system in place prioritizes applications with a public benefit. As previously mentioned, the decision-making by the Downtown Development Board with a set of Competitive Criteria allows for thoughtful distribution of the credits and is beneficial to the production of affordable units. Affordable housing projects are entitled to receive high scoring from the criteria based on the nature of the criteria questions; for example, up to 17 points are available if the Board deems the project to fill a need for housing, meet an identified need of the community, further local revitalization goals, and have long-term positive effects. In addition, projects receive up to 12 more points if the applicant project has a financial gap and is leveraging private and public funding. Affordable housing projects often apply to these objectives and are an identified source of public benefit, therefore would score highly and be prioritize for state tax credit allocation in a given year.

Despite the relatively low annual aggregate cap, Vermont’s state program structure and allocation process are beneficial to affordable housing outcomes within a set of imposed constraints; a promising share of allocated credits are leveraged for affordable housing each year within an aggregate cap system. Additionally, the average number of affordable units created with state tax credits over the last six fiscal years has been approximately 95, which is also a significant share of the total housing units created. This is, in part, the result of a credit allocation process that is thorough, intentional, and conducive to the qualifications of affordable housing projects. Similarly, the additional 10% Vermont income tax credit on QREs in projects intended to be combined with the federal HTC and increase for façade improvement are also beneficial to maximizing tax credits earned per project. If the aggregate cap were raised or rid of altogether, enabling attributes already working well would have an even greater impact on the production of historic rehabilitations with affordable housing.

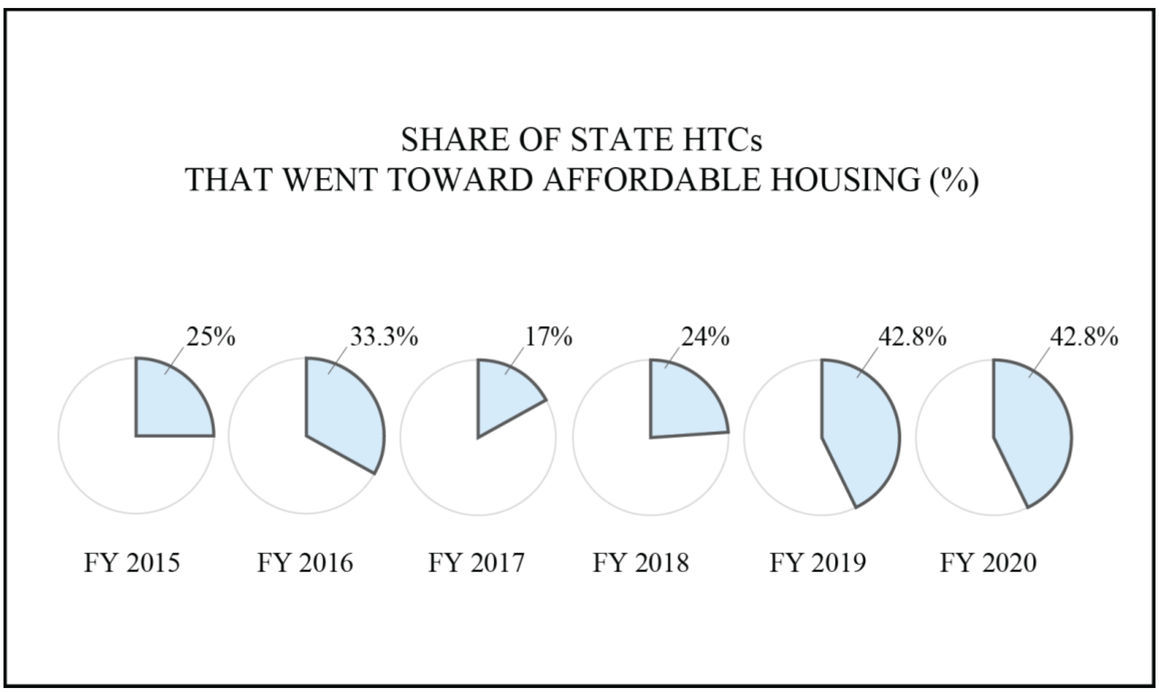

Figure 5.6. Vermont. The percentage share of total state historic tax credits that supported affordable housing outcomes in the fiscal years 2015-2020. Chart generated by Author based on data provided by the Vermont Agency of Commerce and Community Development.

4. Texas

The Texas Historic Preservation Tax Credit Program is relatively new, first accepting applications on January 1, 2015. However, in just over five years, the state HTC program has received nearly 600 initial applications (which determine a building's eligibility for the program), 243 of which have been completed and certified: representing total investments of over $2.6 billion.[70] There are significant differences in market factors and tax structures that affect the state HTC program in Texas compared to most other states, including a lack of state income tax and a different fiscal year than most other state fiscal years. The state program provides credit for state franchise or insurance premium taxes equal to 25% of QREs.

The evaluation of significance to determine project eligibility is relatively standard compared to the federal and other state programs. The building must be listed individually in the National Register of Historic Places, designated as a Recorded Texas Historic Landmark (RTHL) or State Antiquities Landmark (SAL), or contribute to a registered historic district or a National Register property with more than one building. Thus, it must qualify as a “certified historic structure” as defined by NPS.[71] However, the program differs from many states’ and the federal HTC program's criteria for buildings without historic designation, but are found to be potentially eligible by the administering agency. The nomination process to designate locally or nationally may be undertaken

[70] Texas Historical Commission, *Report on Historic Preservation Tax Credits in Texas*, (2020), 3.
[71] Texas Historical Commission, *Texas Historic Preservation Tax Credit Application Guide*, (January 26, 2015), 2.

while the rehabilitation work is underway, but there is an inherent risk. The property must be officially listed by the time the credit is meant to be earned.

Texas' state HTC program was designed to generally follow the federal program, which historically had low usage in Texas. However, the use of federal credit has increased considerably since the state program's 2015 enactment. The Texas Historical Commission reports that about half of all state HTC projects also apply for the federal program.[72] Applying for both credits is relatively straightforward because the state program was modeled on the federal program. State credits can be applied for during the federal application and only the two sets of associated supporting documents are required as per the federal application requirement, if the scope of work is the same.[73]

The Texas state HTC program allows for both direct transfer and allocation of credits by a partnership agreement. The legislation reads: "an entity that incurs eligible costs and expenses may sell or assign all or part of the credit that may be claimed for those costs and expenses to one or more entities." Moreover, there is no limit on the total number of transactions for the sale or assignment of part or full credit. The ability to carry forward the remaining portion of earned credit against franchise tax for up to five consecutive years is also defined in the legislation.[74] Since it was enacted in 2015, two significant legislative changes have made the state program available to nonprofit property owners and public universities. Additionally, the state credit can be applied to

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[72] Texas Historical Commission, *Report on Historic Preservation Tax Credits,* 3.
[73] "Texas Historic Preservation Tax Credit Program," Texas Historical Commission, accessed March 14, 2021, https://www.thc.texas.gov/preserve/projects-and-programs/preservation-tax-incentives/texas-historic-preservation-tax-credit.
[74] S. Tax Credit for Certified Rehabilitation of Certified Historic Structures, Texas Tax Code § 171.900-909, https://statutes.capitol.texas.gov/Docs/TX/htm/TX.171.htm.

non-income-producing properties because sales and transferability allow an owner with no tax liability to sell or transfer the credits to an entity with a franchise or insurance premium tax liability. Additional stakeholders and a diverse set of projects eligible for the state tax credit effectively catalyze investment of private funds, especially for affordable housing that benefit from the involvement of nonprofit organizations.[75]

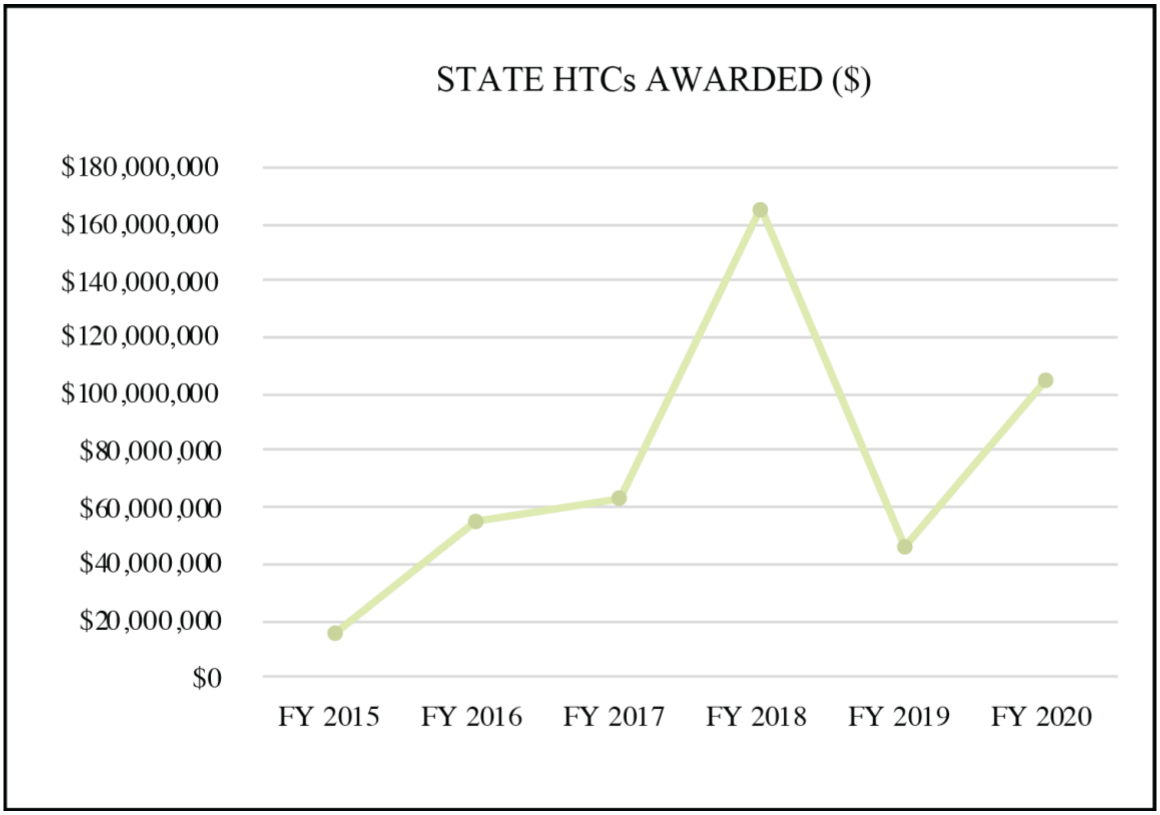

Figure 5.7. Texas. The amount of state historic tax credits awarded in the fiscal years 2015-2020. Graph generated by Author based on data provided by the Texas Historical Commission.

Additionally advantageous to a collection of projects is the absence of an annual aggregate cap or project cap. Rehabilitation projects that can twin the state and federal credits are effectively maximizing their benefits. Furthermore, affordable housing projects with the state HTC are increasingly taking advantage of capital sources from the

[75] Texas Historical Commission, *Report on Historic Preservation Tax Credits*, 2-3.

Rental Assistance Demonstration Program (RAD) and LIHTC programs when applicable. The RAD program is specific to preserving existing affordable units by providing public housing agencies and owners of HUD-assisted properties a way to stabilize, rehabilitate, or replace properties.[76] The exact share of Texas state HTC projects utilizing RAD or other affordability incentives is unknown, but the number of new to existing units with the state credit is indicative of the state HTC's role in creating and preserving affordable housing.

State HTCs have been used in the past four state fiscal years to create a significant number of housing units and additionally rehabilitate existing units. In the Texas state fiscal year 2018, 785 new housing units were created, and 190 existing units were rehabilitated. That same year, 97 existing affordable units were rehabilitated (all 100% of total affordable units that year). The state program's attention to maintenance and rehabilitation of existing affordable units should be explored and leveraged more, especially through state HTCs combined with more direct affordable housing financial incentives. Overall, the state program's ease and intended use with the federal credit in both designation eligibility and processes, as well as the inclusion of stakeholders through direct transfers and partnerships, help to generate significant investment and, therefore, millions of dollars in tax credit allocation. Combined with a lack of annual aggregate and project caps, this culmination of enabling attributes are benefitting housing rehabilitations and increasingly supporting affordable rehabilitations.

[76] "Rental Assistance Demonstration," U.S. Department of Housing and Urban Development (HUD), accessed March 15, 2021, https://www.hud.gov/RAD.

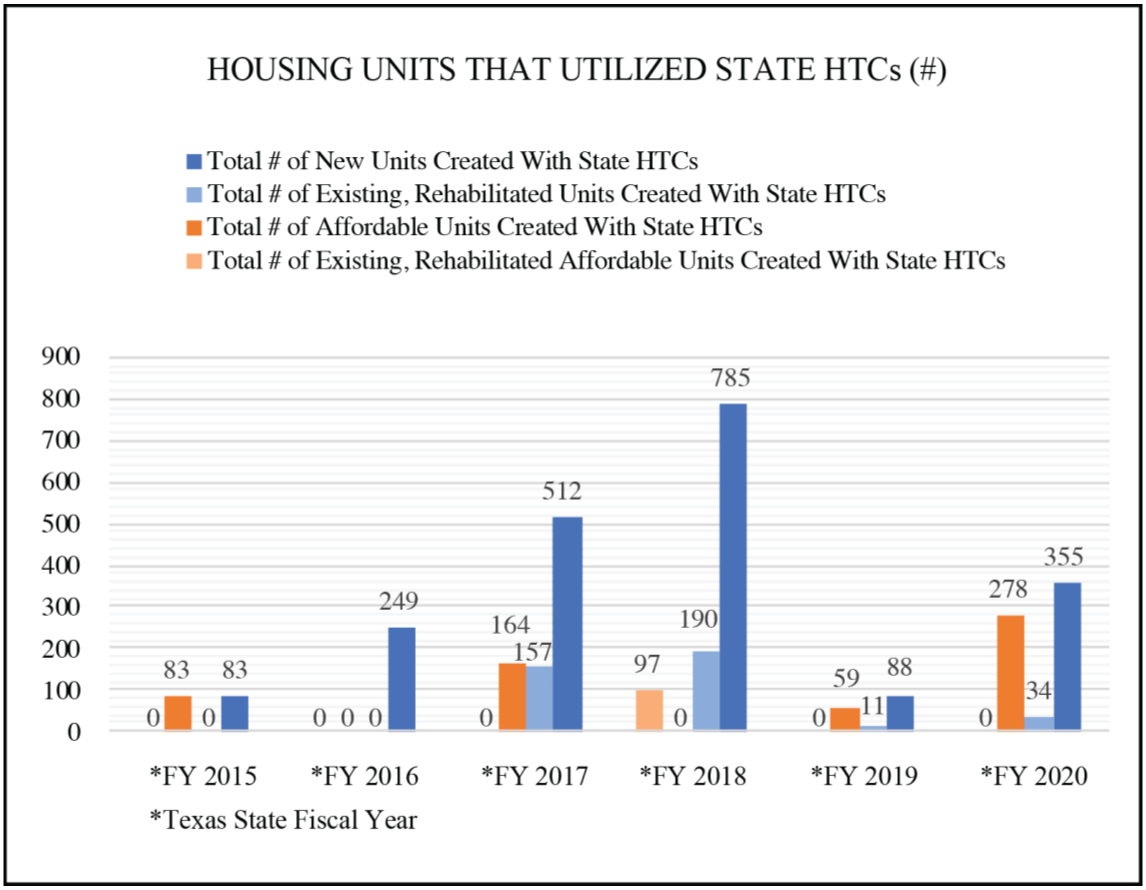

Figure 5.8. Texas. The number of housing units that utilized state historic tax credits, differentiating the number of existing housing units that were rehabilitated from the newly created units in the fiscal years 2015-2020. Graph generated by Author based on data provided by the Texas Historical Commission.

5. Pennsylvania

The Pennsylvania state HTC program awards 25% of the QREs to income-producing historic rehabilitations. Tax credit awards are increased to 30% for a completed "workforce housing" project, aiming to incentive family housing within 80-120% of the AMI.[77] The state program is administered by the Department of

[77] The Workforce Housing Program was created in 2014 to address a growing need for moderate-income housing on city-owned land in appreciating neighborhoods. For case studies, see the "Philadelphia, Pennsylvania: The Workforce Housing Program Encourages Affordable Housing at Minimal Cost to the City," U.S. Department of Housing and Urban Development's (HUD) Office of Policy Development and Research, accessed March 13, 2021, https://www.huduser.gov/portal/casestudies/study-052920.html.

Community and Economic Development (DCED) in conjunction with the Department of Revenue and the Pennsylvania Historical and Museum Commission (PHMC). Primarily, the DCED reviews the eligible projects and allocates tax credit certificates for those selected. Determination of eligibility is completed by PHMC, which receives a qualified rehabilitation plan from the applicant, ensuring compliance with the Secretary of the Interior's Standards for Rehabilitation and qualification as a historic structure.[78] The two agencies' oversight and assistance are intertwined throughout various parts of the application and rehabilitation processes.

Qualified taxpayers apply to the state credit through the Pennsylvania DCED's electronic Single Application for Assistance system. All applications are reviewed on a first-come, first-served basis by the date of submission. PHMC advises applicants to submit their necessary documents on the day the submission portal opens because demand often surpasses supply, and the annual aggregate cap is met quickly.[79] An applicant applies for state and federal credits separately but can fill out fewer forms for the state program if Parts 1 and 2 of the federal program are certified by NPS. Applications are parallel in that the project must also meet federal HTC eligibility requirements and supply similar supportive documents.[80] The ease of state and

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[78] Requirements for a qualified rehabilitation plan and the Secretary of the Interior's Standards for Rehabilitation are specified in a recent program publication. See Pennsylvania Department of Community & Economic Development, *Historic Preservation Tax Credit Program Guidelines*, (January 2018), 5-7.

[79] Scott Doyle, "2019 as the Year of the Pennsylvania Historic Preservation Tax Credit?" Pennsylvania Historic Preservation, January 16, 2019, https://pahistoricpreservation.com/update-pas-historic-preservation-tax-credit/.

[80] Supporting documents may include but are not limited to photographs of the building and its surroundings before any rehabilitation work, a map showing the boundaries of the historic district and the location of the building, a statement of historic and architectural significance, architectural plans for the existing and proposed conditions, and specifications for materials and treatments. For more specifications, see Pennsylvania Department of Community & Economic Development, *Historic Preservation Tax Credit Program Guidelines*, 4-14.

federal twinning is revealing of similar program and application structures.

As per the enabling legislation, a purchaser or assignee of a portion or all of the state tax credit can immediately claim the credit in the taxable year in which the purchase or assignment is made; however, they cannot then carry the credit forward and must comply with the Department of Revenue's procedures. These provisions differ from the original credit earner, who can carry the credit forward seven years. In either scenario, there is no carry backward or refund available.[81] A noteworthy difference from many other programs with similar state tax structures is that the earned HTCs can be applied against a significant number of taxes: Personal Income Tax, Corporate Net Income Tax, Capital Stock-Franchise Tax, Bank and Trust Company Shares Tax, Title Insurance Companies Shares Tax, Insurance Premiums Tax, and Gross Receipts Tax or Mutual Thrift Institution Tax.[82]

Revisions to the legislature in 2019 made many significant changes to the program and renewed it as it was about to expire. Most critically, the annual aggregate was raised from $3,000,000 to $5,000,000, giving the popular incentive a bit more monetary value to disperse equitably over the five regions in the Commonwealth – which generally divide the state into a northwest, southwest, central, northeast, and southeast area. Usually, all regions have enough applications to meet the designated caps, but the credits get reallocated to another if one does not. The total tax credits awarded to a qualified taxpayer cannot exceed $500,000 in any fiscal year. This

[81] Scott Doyle, Microsoft Teams video call with Author, April, 14 2020.
[82] Pennsylvania Department of Community & Economic Development, *Historic Preservation Tax Credit Program Guidelines*, 1.

linguistic distinction in the enabling legislation puts a cap on the taxpayer instead of the individual projects.[83] This may have ramifications for developers that work on multiple projects at a time. Conversely, it leaves an opportunity for a diverse set of smaller, less experienced applicants in various regions to earn the credit.

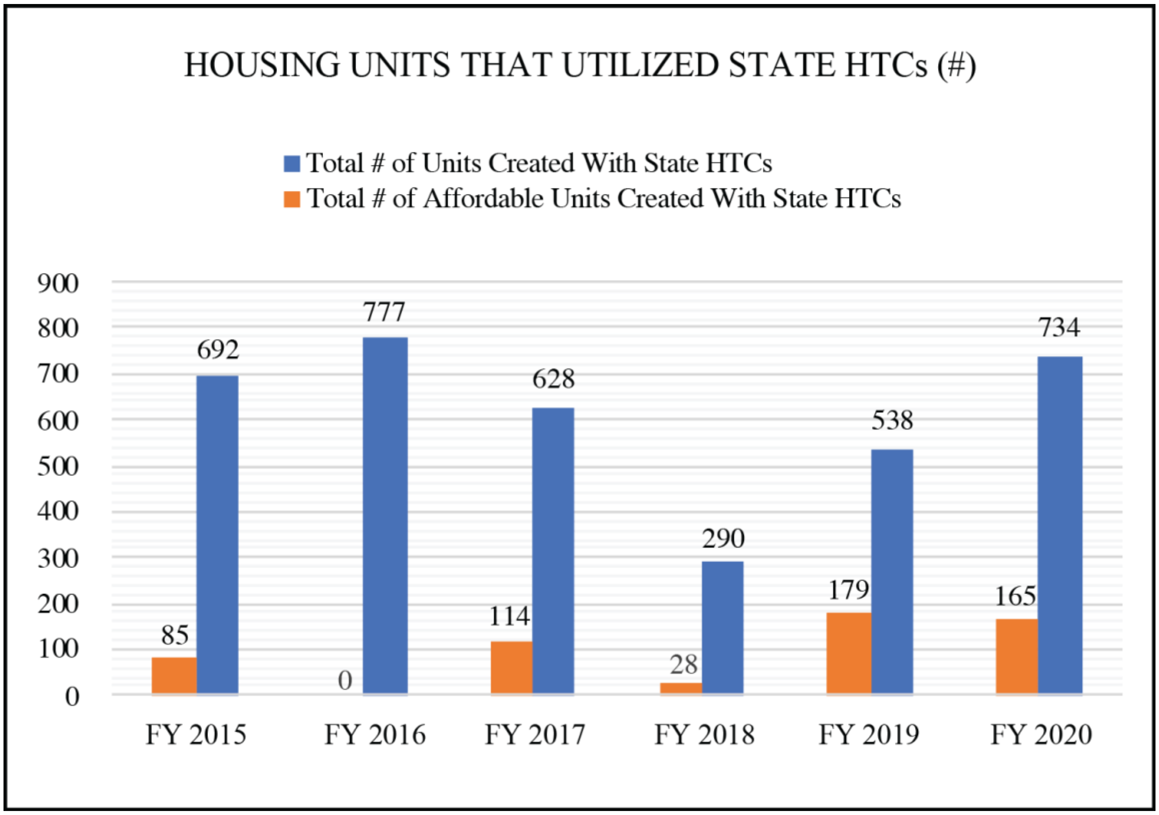

Figure 5.9. Pennsylvania. The number of housing units that utilized state historic tax credits in the fiscal years 2015-2020. Graph generated by Author based on data provided by the Pennsylvania Historical and Museum Commission.

The Pennsylvania state HTC supports a significant number of housing units each year; however, only a small share of those housing units are considered affordable. This sentiment is reflected in the percentage share of total state HTC credit allocation that supported affordable housing in the range of 6-16% for the

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[83] Scott Doyle, Microsoft Teams video call with Author, April, 14 2020.

fiscal years 2015-2019 (2020 credits are still pending distribution after a delay). Within constraining project and aggregate caps, this small percentage of credits means affordable housing projects are earning a relatively small credit amount ($).[84] The two caps as they are presently structured are increasingly complicated by distribution to regions instead of models of other state HTC programs, including building typology, prioritizing public good, or QRE amount. The Workforce Housing Program credit enhancement is an interesting contributor to housing production and investment, but its threshold at 120% of AMI or less is too high to be considered affordable to low-income populations by HUD's traditional definition and within this scope of research. The Workforce Housing Program's relation to the state HTC program is also still relatively unknown. Still, it offers a useful model of city-owned land sold at a discounted price to subsidize construction costs and ensure developer's maintain unit costs at a certain price and for a determined time period.[85]

[84] Scott Doyle, Microsoft Teams video call with Author, April, 14 2020.
[85] "Philadelphia, Pennsylvania: The Workforce Housing Program Encourages Affordable Housing at Minimal Cost to the City."

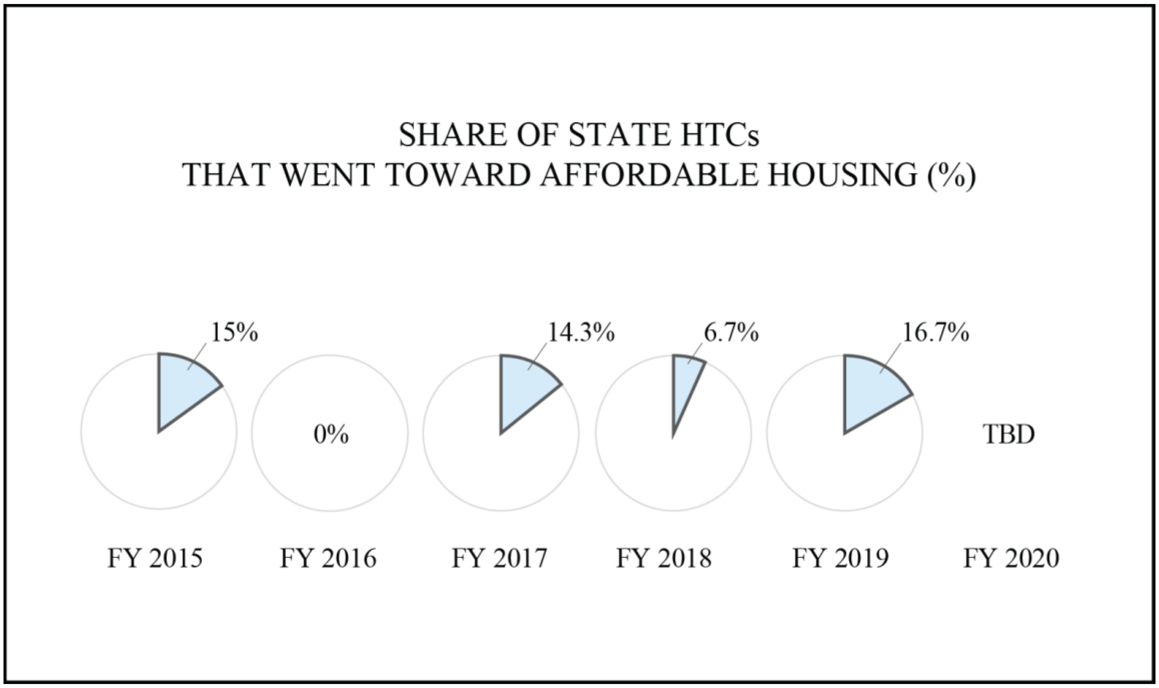

Figure 5.10. The percentage share of total state historic tax credits that supported affordable housing outcomes in the fiscal years 2015-2020. Chart generated by Author based on data provided by the Pennsylvania Historical and Museum Commission.

Additional Observations From State Responses

Many program coordinators claim their state historic tax credits programs are often used in conjunction with the state and federal LIHTC programs to support housing affordability in historic rehabilitations. The informal twinning of the credits varies on a state-by-state basis, though there is typically no official recording of projects that utilize both credits. While housing units, and particularly affordable housing units, are not a data point that a majority of administering agencies track, there are a set of consistent values that typically collected and maintained in project logging systems or spreadsheets. Log number (or a similar identification number or name to track projects), city or town, county, applicant, recipient, project name, property address, date issued (fiscal year assignment), rehabilitation costs, project costs, and historic tax credits allocated were common throughout most state data. Many of these data points are condensed into annual reports as well, but public accessibility varies across states. Queue order numbers are often kept for programs with an annual aggregate cap and where applications are accepted on a rolling basis. Instead, "carryover" was identified in projects at the start of a fiscal year that applied in a previous year but could not yet earn HTCs because the annual aggregate cap was already met.

5. CONCLUSION

Data from state historic tax credit coordinators was closely analyzed to identify affordable housing-enabling attributes and compare them to the general hypotheses regarding state HTC structures and usage. Specifically, the relationship to the federal HTC program, transferability, carry forward and carry backward provisions, annual aggregate cap, and project caps were identified in five state HTC programs to determine if and how they affected affordable housing outcomes. Four specific data points were then analyzed and graphically represented to track affordable housing shares in the fiscal years 2015-2020. The identified correlations between enabling and constraining attributes and affordable housing data points in Maine, Illinois, Vermont, Texas, and Pennsylvania are by no means a comprehensive or definitive list of lessons to be gained from state HTC analysis. Instead, this final section seeks to summarize the insights gained from academic research, observations from the case studies, and tax credit professionals' expertise and shared data and to review how some state programs can catalyze historic rehabilitations with affordable housing outcomes.

In general, eliminating annual aggregate, individual projects, and taxpayer caps promotes maximum investment. If there is a chance a state budget would be overwhelmed as a result of cap absences, consider an allocation of credits ratably over a few years (though this diminishes their immediate value) or prioritize applications with the highest public and social value. Vermont leverages its relatively low annual aggregate cap through a competitive allocation process where the Downtown Development Board scores applications on defined competitive criteria. One of the three criteria considers the 'public benefit,' giving a higher score to projects that fill a need for housing and have a financial gap, therefore in need of subsidies to be feasible. Though capped, the credits are allocated in a positive, calculated manner towards projects like affordable housing. Higher caps, or eliminating caps altogether, improves the predictability and security of receiving the credit, which entices more investors and generates more private investment.

Strengthening general enabling attributes also tangentially promotes affordable housing outcomes; paralleling eligibility, rehabilitation standards, and application requirements to the federal HTC program maximizes project capital and total project investment by increasing credit percentage on QREs. Offering a carry forward provision for all taxpayers, including those who receive the credits through a partnership or sale, ensures applicants that their full credit eligibility will be earned over a few years without depreciation. This was true in four of five case studies that have at least five years of carry forward eligibility. Programs that also allow owners after transfer or sale to carry forward further increase the credit benefit in perpetuity. Again, credit certainty is vital to historic rehabilitations, affordable housing projects, and tax credit transactions.

Moreover, allowing a diverse set of partnership opportunities increases private investors' stake in the historic built environment and increases accessibility to historic rehabilitation projects. This is best exemplified in Maine, Vermont, and Texas, which diversify investors and projects through different yet effective transferability and partnership mechanisms. Nonprofit organizations especially benefit from progressive partnership opportunities because they are excluded from HTCs without tax liability but are often at the forefront of affordable housing advocacy and development. Flexibility in partnership types – as opposed to reliance on ownership responsibility – and the allocation of the credits within the partnership at their discretion offers an opportunity for several investors to leverage the most private investment possible.[86]

Finally, a lack in tracking affordable housing outcomes is a missed opportunity to capitalize on state credits for affordable outcomes. Requiring project information, especially for affordable housing, on state HTC applications should be standard practice. Subsequently, differentiating and reporting the credits used on affordable housing projects should be done within state annual program reports to enhance state HTC's overall credibility and effectiveness in addressing primary state housing needs. Enhancing this opportunity can be done in many ways, including percentage increase for affordable units, allocating a particular share of aggregate caps to affordable housing projects, creating allocation criteria prioritizing public good or financial need, or targeting low- and moderate-income areas for housing rehabilitations by allocating an annual credit amount or credit percentage for their equitable development. Finding ways to address the prevalent lack of affordable housing should be an essential policy objective in the structure, promotion, and reporting of state historic tax credit programs.

Recommendations For Continued Analysis

Public and private expenditures in the historic built environment are necessary for neighborhood investment and are increasingly assessed on many values beyond tangible financial return.[87] Specifically, historic tax credits are a commonly used tool to express

[86] Kuhlman, Schwartz, and Sprague, *State Historic Tax Credits*, 7-8.
[87] David Throsby, "Heritage Economics: Coming to Terms with Value and Valuation," In *Values in Heritage Management: Emerging Approaches and Research Directions*, (Los Angeles, CA: Getty

and protect historic buildings' value, often aligned with state or private market priorities. This research intended to connect the dots between state HTC usage and affordable housing outcomes through state programs' structures and shared attributes. Future analysis can take a qualitative step further to address the multitude of affordable housing values that make it a housing and development priority. Similarly, further research can focus on how and why the broader social and cultural values of affordable housing can be integrated into rehabilitations' and state HTC programs' formal economic analysis.[88]

Additionally, it is pertinent to determine how LIHTC and HTC programs can work in tandem and if certain state HTC programs are better structured to accommodate tax credit twinning for affordable housing projects. The data needed to make these connections was out of this research's purview and challenging to acquire. It is widely considered that combining HTCs with LIHTCs is an appealing and effective strategy for affordable housing developers to attract and maximize equity for a project. Multiple state HTC project coordinators supported this sentiment in their correspondences from their professional experience. However, tracking the twinning of the credits is not typically done by administering agencies or required to be specified on applications as they are currently devised. This is an additional missed opportunity for state HTC programs to benefit from a more structured twinning and tracking system of popular financial tools. The twinning of HTC and LIHTCs, specifically as they are applied at the state level, is a robust field for additional analysis.

Conservation Institute, 2019), 199-209. https://www.getty.edu/publications/heritagemanagement/part-two/14/.
[88] Throsby, "Heritage Economics: Coming to Terms with Value and Valuation," 205-207.

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APPENDIX I: EVALUATIVE GRID

STATE	PROGRAM NAME	YEAR ENABLED	YEAR AMENDED (IF KNOWN)	CITATIONS	ADMINISTERING AGENCIES	CREDIT % ON QREs	ADDITIONAL CREDIT % FOR AFFORDABILITY	RECAPTURE TAX
ALABAMA	Alabama Historic Rehabilitation Tax Credit Program	2018		AL Code § 40-9F-30 to 38	Alabama Historical Commission	25% for income-producing properties and historic homeownership	-	Same as the federal program (the amount of recapture is reduced by 20% each year for the first five years the property is placed in service)
ARKANSAS (1)	Arkansas Historic Rehabilitation Tax Credit Program	2009	2019	AR Code § 26-51-2201 to 2207	Arkansas Historic Preservation Program	25% for income-producing properties and historic homeownership	-	Same as the federal program
ARKANSAS (1)	Arkansas Major Historic Rehabilitation Income Tax Credit Program	2020		Arkansas H.B. 1800 Act 855	Arkansas Historic Preservation Program, funded by the Arkansas Major Historic Rehabilitation Trust Fund	25% for income-producing properties	-	
COLORADO	Colorado Job Creation Main Street Revitalization Act	1990	Reauthorized 2018	CO Rev Stat § 39-22-514.5	History Colorado	25% for first $2M of QREs; 20% for after $2M+ QREs for income-producing properties	-	An incremental increase of 20% of credits earned recaptured for the first five years after placed in service
CONNECTICUT (1)	Connecticut Historic Rehabilitation Tax Credit Program	2007		CT Gen Stat § 10-416c	Connecticut Department of Economic and Community Development	25% for income-producing properties; 30% for historic homeownership	**30% if the project has an affordable housing component, provided at least 20% of the rental units or 10% for sale units qualify under C.G.S Section 8-39a**	If the residential part of a mixed-use and the non-residential rehabilitation is not completed within the scheduled time frame, 100% of the tax credit is recaptured
CONNECTICUT (2)	Historic Homes Rehabilitation Tax Credit Program	2000		CT Gen Stat § 10-416	Connecticut Department of Economic and Community Development	30% for private homeowner properties located in a federally designated qualified census tract in which 75% or more of families have a median income of 80% or less of the statewide median family incomes	-	None
DELAWARE	Delaware Historic Preservation Tax Credit Program	2002	2019	30 Del.C. Ch. 18, Subch.II, 22 DE Reg. 470 (2019), and S.B. 180	Delaware Division of Historical and Cultural Affairs	20% for income-producing; 30% for historic homeownership	**30% applied to the portion of the square footage for a property that also receives LIHTC; 40% if meets HUD established low-income criteria**	Same as the federal program

STATE	PROGRAM NAME	YEAR ENABLED	YEAR AMENDED (IF KNOWN)	CITATIONS	ADMINISTERING AGENCIES	CREDIT % ON QREs	ADDITIONAL CREDIT % FOR AFFORDABILITY	RECAPTURE TAX
GEORGIA	Georgia Income Tax Credit Program for Rehabilitated Historic Property Program	2002		O.C.G.A § 48-7-29.8 and Compilation of Riles and Regulations of the State of Georgia Rule 100-37-6-.01 to .11	Georgia Department of Natural Resources Historic Preservation Division	25% for income-producing properties and historic homeownership	**30% for a historic house in a HUD-designated target area**	Subject to recapture if a historic house is sold within 3 years of earning the credit: if sold within the first year, the lesser amount of the credit or the net profit of the sale is recaptured. Within the second year, the lesser of 2/3 of the credit or the net profit of the sale. Within the third year, the lesser of 1/3 of the credit or the net profit of sale; recapture rule does not apply to the sale of historic house by nonprofit corporation or death of the owner
HAWAII	Historic Preservation Income Tax Credit Program	2019		HI Rev Stat § 235-110.97	State of Hawaii State Historic Preservation	30% for income-producing properties	-	Recapture of claimed credits is required if the QREs do not materialize or the rehabilitation does not proceed in the timely manner specified in the approved rehabilitation plan
ILLINOIS (1)	Illinois Historic Preservation Tax Credit Program (statewide)	2019		35 ILCS 31	Department of Natural Resources	25% for income-producing properties	-	Same as the federal program
ILLINOIS (2)	River Edge Historic Tax Credit Program	2011	2019	35 ILCS 5/221 and Illinois Public Act 100-0236	Illinois State Historic Preservation Office within the Department of Natural Resources (as of January 1, 2019)	25% for income-producing properties	-	Same as the federal program
INDIANA	Residential Historic Rehabilitation Tax Credit	2002		IN Code § 6-3.1-22-1 to 16	Indiana Department of Natural Resources	20% for historic homeownership	-	Recapture of claimed credits and an amount equal to the credit is added to the tax liability of the taxpayer in the year of credit-earning if the property is transferred for modifications that do not meet the standards is done within 5 years of certified rehabilitation work
IOWA	Iowa Historic Preservation, Cultural & Entertainment District Tax Credit Program	2000		Iowa Administrative Code 261.49.1 to 19	Iowa Department of Cultural Affairs	25% for income-producing properties and historic homeownership	-	Applied if part three of the application is not approved because the rehabilitation is found inconsistent with historic character
KANSAS	Kansas Historic Rehabilitation Tax Credit Program	2001	2015	KS Stat § 79-32,211	Kansas Historical Society	25% for income-producing properties and historic homeownership; 30% for nonprofits	-	-

STATE	PROGRAM NAME	YEAR ENABLED	YEAR AMENDED (IF KNOWN)	CITATIONS	ADMINISTERING AGENCIES	CREDIT % ON QREs	ADDITIONAL CREDIT % FOR AFFORDABILITY	RECAPTURE TAX
KENTUCKY	Kentucky Historic Preservation Tax Credit Program	2005	2015	KY Rev Stat §171.396, KY Rev Stat § 171.3961, KY Rev Stat §171.397, and 300 KAR 6:010	Kentucky Heritage Council State Historic Preservation Office	Up to 20% for income-producing properties, up to 30% for owner-occupied residential properties	-	Recapture of preliminary credits is initiated if the owner fails to obtain a Certification of Completed Work within 36 months of credit allocation. The owner has 45 days from initiation and notification to write a notice of objection to begin a review process
LOUISANA	Louisiana State Commercial Tax Credit Program	2002	2011	LA Rev Stat § 47:6019	Louisiana, Division of Historic Preservation and the Louisiana Department of Revenue	25% prior to January 1, 2018, 20% on or after January 1, 2018, for income-producing properties	-	-
MAINE	Maine State Historic Rehabilitation Tax Credit Program	2008	2017	36 ME Rev Stat § 5219-BB	Maine Historic Preservation Commission	25% for income-producing properties	**An additional 5% and increases 1% each year until 10%, if the rehabilitation project meets certain affordable housing requirements by the Commission and Maine State Housing Authority**	Same as the federal program
MARYLAND	Maryland Historic Revitalization Tax Credit Program	2004	2018/2019	MD Tax-Prop Code § 9-204.1 and Code of Maryland Regulations § 05.08.08.00	Department of Planning, Maryland Historical Trust	20% for income-producing properties, homeowners, and small commercial properties with less than $500,000 QREs	**30%, if also receiving LIHTCs**	Same as the federal program
MASSACHUSETTS	Massachusetts Historic Rehabilitation Tax Credit Program	2005		MA Gen L ch 62 § 6J	Massachusetts Offices of the Secretary of the Commonwealth	Up to 20% for income-producing properties	**25% for affordable housing**	Recapture is initiated if the taxpayer disposes interest in the property before the end of 5 years since placed in service date. The recapture amount is the credit taken or transferred minus credit allowed for ownership, not less than 0. Credit allowed for ownership = the amount of credit allowed x (# of months of property ownership/60).
MINNESOTA	Minnesota Historic Structure Rehabilitation Tax Credit Program	2010	2019	MN Stat § 290.0681	Minnesota Department of Administration State Historic Preservation Office	20% for income-producing properties	-	Same as the federal program

STATE	PROGRAM NAME	YEAR ENABLED	YEAR AMENDED (IF KNOWN)	CITATIONS	ADMINISTERING AGENCIES	CREDIT % ON QREs	ADDITIONAL CREDIT % FOR AFFORDABILITY	RECAPTURE TAX
MISSISSIPPI	Mississippi Historic Rehabilitation Income Tax Credit Program	2016		MS Code § 27-7-22.31	Mississippi Department of Archives and History	25% for income-producing properties	-	Earned credit is subject to recapture if the property is not listed in the National Register individually or as part of a district within 30 months of claiming the credit or if the rehabilitation is abandoned
MISSOURI	Missouri Historic Tax Credit Program	1998	2011	MO Rev Stat § 253.545, MO Rev Stat § 253.550, MO Rev Stat § 253.557, and MO Rev Stat § 253.559	Missouri Department of Natural Resources and Department of Economic Development	25% for income-producing properties and historic homeownership	-	-
MONTANA	Montana Historic Preservation Investment Tax Credit Program	1997		H.B. 619. Amending H.B. 631	Montana Historical Society (SHPO)	An additional 5% added to the federal credit for income-producing properties	-	Same as the federal program
NEBRASKA	Nebraska State Historic Tax Incentive Program	2015		NE Code § 77-2901 to 2912.	History Nebraska and the Nebraska Department of Revenue	20% for income-producing properties	-	Same as the federal program
NEW MEXICO	New Mexico Income Tax Credit for Registered Cultural Properties Program	1984	2019	NM Stat § 7-2A-8.6 through 7-2A-8.6.G and Title 4.10.9.1 to 14 NMAC	New Mexico Department of Cultural Affairs, Historic Preservation Division	50% for all properties listed in the State Register of Cultural Properties		Credit allocation is ceased if the property is removed from the National Register for any reason that makes it ineligible for continued listing
NEW YORK (1)	New York State Rehabilitation Tax Credit for Commercial Properties Program	2007	2017	NY Tax L § 606	New York State Office of Parks, Recreation, and Historic Preservation, Division for Historic Preservation	20% for income-producing properties	-	Same as the federal program
NEW YORK (2)	New York State Tax Historic Homeownership Rehabilitation Credit Program	2007		NY Tax L § 606	New York State Office of Parks, Recreation, and Historic Preservation, Division for Historic Preservation	20% for owner-occupied, historic homeownership	-	-
NEW YORK (3)	New York State Barn Rehabilitation Tax Credit Program	1997		NY Tax L § 606 and the Farmer's Protection and farm Preservation Act in TSB-M-96-(1)C	New York State Office of Parks, Recreation, and Historic Preservation, Division for Historic Preservation	25% for barns	-	-
NORTH CAROLINA (1)	North Carolina Credit for Rehabilitating Income-Producing Historic Structure Program	2016		NC Gen Stat § 105-129.35	North Carolina State Historic Preservation Office	10-15% for income-producing properties; 15% for up to $10 million QREs, 10% for more than $10 million QREs	-	Same as the federal program
NORTH CAROLINA (2)	North Carolina's State Historic Rehabilitation Tax Credit Program	2016		NC Gen Stat § 105-129.35	North Carolina State Historic Preservation Office	15% for owner-occupied, historic homeownership	-	-

STATE	PROGRAM NAME	YEAR ENABLED	YEAR AMENDED (IF KNOWN)	CITATIONS	ADMINISTERING AGENCIES	CREDIT % ON QREs	ADDITIONAL CREDIT % FOR AFFORDABILITY	RECAPTURE TAX
NORTH DAKOTA	North Dakota Renaissance Zone Rehabilitation Tax Credit Program	1999		ND Code Title 40 Chapters 40-63	State Historical Society of North Dakota, Historic Preservation Division	25% for commercial or residential properties located within a state-approved in Renaissance Zone boundary	--	-
OHIO	Ohio Historic Preservation Tax Credit Program	2007	2015	OH Administrative Code 122:19-1-01 to 08	Ohio Development Services Agency in partnership with the State Historic Preservation Office and the Ohio Department of Taxation	25% for income-producing properties; 20% for historic homeownership	-	-
OKLAHOMA	Oklahoma Investment Tax Credits for Rehabilitation	2009	2014	68 OK Stat § 68-2357.41	Oklahoma Historical Society	20% for income-producing properties	-	Same as federal
PENNSYLVANIA	Pennsylvania Historic Preservation Incentive Tax Credit Program	2013	2019	H.B. 761	Pennsylvania Department of Community and Economic Development, Department of Revenue, and Pennsylvania Historical and Museum Commission	25% for income-producing properties	**30% for workforce housing program project (80-120% AMI housing)**	-
RHODE ISLAND	Rhode Island Historic Preservation Tax Credit Program	2002	2015	RI Gen L § 44-33.6-	Rhode Island Historical Preservation and Heritage Commission	20% for commercial and nonprofit properties; 25% if 1/4 of rentable space or the entire first floor is available for trade or business	-	100% recapture if the property becomes exempt from Real Property Tax within 24 months of the issuances of a Certificate of Completed Work
SOUTH CAROLINA	South Carolina Historic Rehabilitation Tax Credit Program	2003	2020	SC Code § 12-6-3535 and H. 3485 (Act 172)	South Carolina Department of Archives and History (SHPO) and the Department of Revenue	10% for income-producing properties that are also eligible for federal HTC, 25% for those that are not eligible; 25% for historic homeownership and mills	-	Same as the federal program
TEXAS	Texas Historic Preservation Tax Credit Program	2015		Texas Administrative Code Title 13 – Cultural Resources Part 2 § 13.1 to 13.9, and Texas Tax Code § 171.900-909	Texas Historical Society	25%* (against franchise and insurance premium taxes) for income-producing properties	-	-
UTAH	Utah Historic Preservation Tax Credit Program	1993	2006	UT § 59-10-1006	Utah Division of State History	20% for owner-occupied or rental properties	-	Same as the federal program, but reduces for first three years instead of five
VERMONT	Vermont Downtown and Village Tax Credit Program	1998	2014	32 V.S.A § 5930aa-ff	Vermont Agency of Commerce and Community Development	10% for properties receiving federal HTC; additional 25% for façades; 50% for code improvements; all located with a Downtown or Village Center District and built before 1983	-	Same as the federal program

STATE	PROGRAM NAME	YEAR ENABLED	YEAR AMENDED (IF KNOWN)	CITATIONS	ADMINISTERING AGENCIES	CREDIT % ON QREs	ADDITIONAL CREDIT % FOR AFFORDABILITY	RECAPTURE TAX
VIRGINIA	Virginia Historic Rehabilitation Tax Credit Program	1997		Code of Virginia § 58.1-339.2	Virginia Department of Historic Resources	25% for income-producing properties and historic homeownership	-	Same as the federal program, except state doesn't require ownership to remain the same for the five years
WEST VIRGINIA	West Virginia Historic Rehabilitation Tax Credit Program	2018		WV Code § 11-24-23a and § 82-4-1 to 4	West Virginia Division of Culture and History	25% for income-producing properties; 20% for historic homeownership	-	Same as the federal program
WISCONSIN	Wisconsin Historic Preservation and Rehabilitation Tax Credit Program	2013		WI Stat § 71.07 and WI Stat § 71.47	Wisconsin Economic Development Corporation and the Wisconsin Historical Society (SHPO)	20% for income-producing properties	-	Same as the federal program

EVALUATIVE GRID (PART II)

STATE	ANNUAL AGGREGATE CAP	PROJECT CAP	RELATION TO THE FEDERAL HTC PROGRAM	TRANSFERABILITY	CARRY FORWARD AND/OR BACKWARD	OTHER NOTES
ALABAMA	$20 million from 2018-2022. $100 million total by the end of the year 2022	$5 million for commercial properties, $50,000 for residential	Separate	Direct transfer, must be valued at 85% or greater of the present value; transferable only 1 time	None	$8 million of the annual aggregate cap is reserved for counties with 175,000 or fewer people according to the 2010 decennial census in the first 6 months of each year; The entire tax credit must be claimed by the taxpayer in the year placed in service. If the tax liability of the taxpayer is less than the tax credit, the taxpayer is entitled to claim a refund for the difference
ARKANSAS	$4 million	Income-producing properties: before July 1, 2017, up to $500,000 in QREs, after July 1, 2017, up to $1.6 million in QREs	Separate	Direct transfer; no ownership or other interest in the property necessary	Credits can be carried forward for up to five consecutive taxable years against income or premium tax due	Credit only allowed one time for each eligible property in a 24-month period; Applications are prioritized by contributing to the program's defined community and economic development goals: creating a new business, expansion of an existing business, establishment of a tourist attraction, revitalization of a business district or neighborhood
COLORADO	$10 million	$1 million	Separate, but if both are applied for, only a federal application needs to be filled out	Direct transfer; freely transferable to an entity exempt from federal income taxation pursuant to section 501(s) of the Internal Revenue Code	Credit can be carried forward for up to 10 years, applied to earliest the possible year and not refundable after 10	50% of credits awarded to projects with QREs less than $2 million; 50% to projects with QREs more than $2 million
CONNECTICUT (1)	$31.7 million	$4 million	Separate	Direct transfer; credits can be assigned, transferred, or conveyed in whole or in part by the owner to others up to 3 times	Credit can be carried forward 10 years	Usually, the expenditure test must be met within a 24-month period
CONNECTICUT (2)	$3 million	$30,000 per unit; $50,000 for a nonprofit corporation	Separate	A voucher can be issued to the homeowner or the taxpayer named by the owner as contributing to the rehabilitation	A voucher can be carried forward to any or all of the following four years following issuance	Property must consist of one-to-four dwelling units, of which at least one unit will be occupied as the principal residence of the owner for not less than five years following the completion of rehabilitation work
DELAWARE	$8 million (fiscal years 2020-2025)	$30,000 for rehabilitation of an owner-occupied property; otherwise, none.	Separate	Direct transfer	Credit can be carried forward 10 years	Each fiscal year, a portion of the total credit allocation is reserved in the following ways: $100,000 for distribution to qualified resident curators, $1.500,000 for projects with credit eligibility less than $300,000, and $1,500,000 for projects located in Downtown Development Districts – of which 1/3 is for projects with credit eligibility less than $300,000. Unallocated credits from these reserves are freely available after April 1 of each year

STATE	ANNUAL AGGREGATE CAP	PROJECT CAP	RELATION TO THE FEDERAL HTC PROGRAM	TRANSFERABILITY	CARRY FORWARD AND/OR BACKWARD	OTHER NOTES
GEORGIA	$25 million; projects under $300,000 in credits are exempt from the cap (Applicable to projects completed between January 1, 2017, and December 31, 2021)	$5 million; $10 million if the project creates 200 or more full-time jobs or $5 million in annual payroll within two years of placed in service date (Applicable to projects completed between January 1, 2017, and December 31, 2021)	Separate	Direct transfer	Credit can be carried forward 10 years	Those claiming the credits must report the full-time employees of the property to the GA Department of Natural Resources annually for 5 years following the year of claiming credits; A minimum 5% of QREs for a substantial rehabilitation must be used on the building's exterior
HAWAII	$1,000,000 from the 2020-2024 taxable years	None	Separate	-	Credit can be carried forward up to 10 years	Taxpayers claiming the credit must submit a written certified state to the state historic preservation division containing the QREs incurred and other information deemed necessary by the division prior last day of the taxable year. Otherwise, recapture of credits
ILLINOIS (1)	$15 million	$3 million	Separate	Allocation to shareholders of a corporation, a partnership, or a limited liability company	Credit can be carried forward 10 years	The allocation of tax credits prioritizes projects that meet one or more of the following: located in a county that borders a state with a rehabilitation credit, located in a census tract that has a median family income at or below the state median family income, includes a development partnership with a Development Entity, low-profit, or nonprofit corporation, or is located in an Emergency Declaration area as per the Stafford Act
ILLINOIS (2)	None	None	Must be applied for in conjunction with the federal credit, with a separate application designed to complement the federal application	Cannot be sold or transferred, but can be syndicated through a partnership	Credit can be carried forward 5 years but applied to the earliest year with tax liability	Projects must be located within a River Edge Redevelopment Zone: Aurora, East St. Louis, Elgin, Peoria, and Rockford
INDIANA	$250,000	None	Separate	-	Credit can be carried forward 15 years	The historic property is principally used and occupied by the taxpayer as their primary residence
IOWA	$45 million	None; however, for applications that receive credits from the small project allocation, total QREs cannot exceed $750,000	Separate; must provide substantial evidence for federal eligibility if going for both credits	Direct transfer to any person. See more in Department of Revenue rules 701—42.55(404A,422), 701—52.48(404A,422), and 701—58.10(404A,422)	Credit can be carried forward for up to 5 years	5% of the annual aggregate cap must go to projects with less than $750,000 QREs; Applications for projects with more than $750,000 QREs only accepted during the registration period. All others are accepted year-round; All applications are scored to be considered for registration and in the case that the aggregate cap is met. Criteria for consideration are rehabilitation planning and project readiness, secured financing, steps taken towards ownership, local government support, rehabilitation timeline, and zoning and code review
KANSAS	None	None	Separate	Direct transfer	Credit can be carried forward for up to 5 years, except all credits must be claimed within 10 years from the qualified rehabilitation plan's first year placed in service	Project QREs must exceed $5,000 – smaller projects may be combined in order to exceed the minimum

STATE	ANNUAL AGGREGATE CAP	PROJECT CAP	RELATION TO THE FEDERAL HTC PROGRAM	TRANSFERABILITY	CARRY FORWARD AND/OR BACKWARD	OTHER NOTES
KENTUCKY	$5 million	$400,000	Separate	Direct transfer	None	All credits are subject to proportional reduction if the value of credits claimed exceeds the annual aggregate cap – applications accepted year-round, credits allocated April 29; Rehabilitation work must take place within 24 months for full credit allocation
LOUISANA	Previously none, but $125 million as of January 1, 2021	*Not per project, but $5 million cap per taxpayer claiming the credits each year	Separate	Transferred or sold by taxpayer or subsequent transferee an unlimited number of times	Credit can be carried forward 5 years, though the transfer of credits does not extend the carry forward period	Projects must be contributing buildings to Downtown Development Districts or certified Cultural Districts
MAINE	None	$5M per building	Separate	-	None	25% of the credit earned is taken in the first taxable year claimed – the remaining are taken in increments of 25% over the next 3 years; A certified affordable housing project that earned an increased credit must remain its affordability for 30 years after the placed in service date or else must make repayment provisions defined in § 1601-103 subsection 7; The Maine Historic Preservation Commission issues a report by March 1 of each year that identifies the approved and certified state program applications to record the number of affordable housing units created and preserved, the total housing units created, the total aggregate square footage rehabilitated and developed, the total aggregate square footage of affordable housing, the total certified rehabilitation expenses and the total new construction expenses
MARYLAND	Amount appropriated to the Heritage Structure Rehabilitation Tax Credit Reserve Fund for each fiscal year in the State budget is approved by the General Assembly; $4 million for Small Commercial applications	$3 million for income-producing (Competitive Commercial); $50,00 for homeowners and Small Commercial	Separate	-	None	$4 million set aside of small commercial projects with $500,000 or less QREs and more than 75% residential rental; No more than 50% of the total credit amounts under initial certification in a fiscal year can go to projects in a single county or Baltimore City; 10% of the total credit amounts under initial certification in a fiscal year should be issued to projects submitted by organizations exempt from taxation under § 501(c)(3) of the Internal Revenue Code
MASSACHUSETTS	$55 million	None	Separate	Can transfer partial or full credit to any individual or entity without the requirement of transferring any ownership interest	Credit can be carried forward 5 years	At least 25% of total credits are to go to projects that contain affordable housing each year; 10% of total credits to be dedicated to forward-year funding each year
MINNESOTA	None	None	Separate applications, but must apply for both the state and federal HTC	Direct transfer	None	The state credit is worth 100% of the federal credit or a grant worth 90% of the federal credit available in lieu of the credit, paid for by the commissioner of administration. Both the credit and grant are payable in five equal yearly installments beginning with the year the project is placed in service; If the credit earned exceeds a taxpayer's liability, the excess is fully refunded

STATE	ANNUAL AGGREGATE CAP	PROJECT CAP	RELATION TO THE FEDERAL HTC PROGRAM	TRANSFERABILITY	CARRY FORWARD AND/OR BACKWARD	OTHER NOTES
MISSISSIPPI	$12 million	None	Separate		Credit can be carried forward for 10 succeeding years; If the credit awarded exceeds $250,000, the taxpayer may elect to claim a refund in the amount of 75% of the excess credit in lieu of the 10 year carry forward, paid in equal installments over 2 years – the decision must be made in the year placed in service	Nonprofits are ineligible for the credit; If the tax credit exceeds $250,000, the taxpayer can elect to claim a refund of 75% of excess credit in lieu of 10-year carry forward; Those not awarded full amount due to state aggregate cap prior to July 1, 2016, receive priority credits
MISSOURI	$90 million; once that is met, an additional allocation of a $30 million for the Qualified Census Tracts cap begins	$250,000 for non-incoming producing, single-family, or owner-occupied residential; no cap on other eligible projects	Separate; but it is highly encouraged to apply concurrently	Direct transfer	Credit can be carried back 3 years and forward 3 years	Projects with eligible costs less than $1.1 million are not subject to the annual aggregate cap; Nonprofit corporations are ineligible for the credit; The Department of Economic Development will oversee changes to the program beginning in FY 2022 including a simplified scoring system, electronic application submission, and additional competitiveness for housing and projects in both rural and urban areas
MONTANA	None	None	Combined; no state application required when federal application and applicant's own state income tax forms are successful	Transfer through the federal program	Credit can be carried forward 7 years	
NEBRASKA	$15 million	$1 million	Separate	-	Credit can be carried forward 5 years	$4 million set aside for projects seeking less than $100,000 in credits; Project expenses must exceed $25,000 - properties in Omaha and Lincoln must exceed the greater for $25,000 or 25% of the property's assessed value
NEW MEXICO	None	$25,000 outside a state-certified Arts & Cultural District; $100,000 within a state-certified Arts & Cultural District	Separate	Cannot be transferred	Credit can be carried forward 4 years	No further credit may be claimed if the property is removed from the register for any reason that deems it ineligible for continued listing; Projects must be completed within 24 months of the approval
NEW YORK (1)	None	$5 million	Combined; state certification is sent to the owner if federal credit is approved, state fee is received, and program eligibility requirements are met (which together total a 40% credit for projects with QREs under $5 million, or 50% for projects with QREs under $2.5 million)	-	Unused credits for projects placed in service before 2015 can be carried forward indefinitely, projects on or after 2015 refundable	In addition to traditional designation status for eligibility, properties must be located in an eligible census: a federally-qualified census tract or area of chronic economic distress, a census tract that is at 100% or below the state family median income level, or in a city with a population under 1 million with a poverty rate greater than 15%; Buildings placed in service in or after 2015 can take unused credit as a refund

STATE	ANNUAL AGGREGATE CAP	PROJECT CAP	RELATION TO THE FEDERAL HTC PROGRAM	TRANSFERABILITY	CARRY FORWARD AND/OR BACKWARD	OTHER NOTES
NEW YORK (2)	None	*Not per project, $50,000 per taxpayer from 2010-2020: $25,000 cap for taxable years beginning on or after January 1, 2020	Separate	-	Credit can be carried forward indefinitely; unlimited	Projects must be located in eligible census tract as also defined in the income-producing credit; Only if the taxpayer's adjusted gross income is below $60,000 can unused credit be taken as a refund; At least 5% of total expenditures need to be on the exterior of the property; QREs for both exterior and interior work on a project must be approved by the Office of Parks, Recreation, and Historic Preservation or by a local government in accordance with the National Historic Preservation Act
NEW YORK (3)	None	None	Separate	-	Credit can be carried forward 10 years	The credit is refundable for new businesses; The barn must maintain its use (storing farm equipment or agricultural products, or for housing livestock), just prior and after rehabilitation: residential use is unacceptable, and credit would not be earned
NORTH CAROLINA (1)	None	$4.5 million	Separate	Credits may be transferred with the property if the transfer occurs before the property is placed in service	Credit can be taken in the year placed in service and carried forward 9 years	Rehabilitation expenses must exceed the greater of the adjusted basis of the building, or $50,000 within a 24 month period, 60 months for phased projects
NORTH CAROLINA (2)	None	$22,500	Separate	Credits may be transferred with the property if the transfer occurs before the property is placed in service	Credit can be taken in the year placed in service and carried forward 9 years	Eligible rehabilitation expenses must be incurred within the first 24 months, though the overall project may take longer; The rehabilitation must exceed $10,000 within an 24 month period
NORTH DAKOTA	None	$250,000	Separate; however, the program utilizes parts 2 and 3 from the federal application	-	Credit can be carried forward 5 years	There are no provisions for phased projects attempting to earn the credit; There is no minimum expenditure to the rehabilitation work to receive the credit
OHIO	$60 million	$5 million	Separate	Not transferable to any individual or entity	Credit can be carried forward 5 years	Applicant must have a CPA certify QREs exceeding $200,000; The director of the development services agency of the state of Ohio ensures a mix of "high qualified" and "low qualified" rehabilitation expenditure applications are approved each year, determined by application's estimation of QREs, requested tax credits, and cost-benefit analysis, as well as a scoring criteria (high and low threshold determined by average rehabilitation costs of projects of the last five calendar years)
OKLAHOMA	None	None	Separate	Credits may be freely transferred, in whole or in part, for the 5 years following the year of qualification	Credit can be carried forward 10 years	The enabling legislation specifically mentions certified historic hotels and historic newspaper plants as part of certified historic structures: could imply state-specific building typology abundance or priority

STATE	ANNUAL AGGREGATE CAP	PROJECT CAP	RELATION TO THE FEDERAL HTC PROGRAM	TRANSFERABILITY	CARRY FORWARD AND/OR BACKWARD	OTHER NOTES
PENNSYLVANIA	Previously $3 million, $5 million as of FY 2019	*Not per project, $500,000 per taxpayer	Separate	Direct transfer; the credits may only be sold or assigned once; assigner or purchaser cannot carry forward the credit	Credit can be carried forward up to 7 years following the first taxable year for which the taxpayer is entitled to claim the credit	Must also meet federal HTC qualifications; Applicant must have a CPA certify costs; Tax credit reservation expires 24 months from the date of issuance; Credits must be equally distributed among five sections of the state annually. If a section does not meet the cap, then the remaining credits are distributed to the others
RHODE ISLAND	Determined annually by the Division of Taxation and the historic preservation tax credit trust fund	$5 million	Separate	Direct transfer; the assignee can then use the credit for 10 years following the placed in service date or until the fill credit assigned is used, whichever occurs first	Credit can be carried forward 10 years	Credits allowed to tax exempt entities are fully refundable; Each project must report the number of jobs created, the number of Rhode Island businesses retained for work, the total amount of QREs, and the total cost of materials or products purchased from Rhode Island businesses, when requesting a certification of completed rehabilitation
SOUTH CAROLINA	None	$1 million per building; however, no project cap for projects going for the 10% credit	Combined; apply using the federal application	Direct transfer for mills	Credit can be carried forward 5 years; all credits must be taken in 3 equal annual installments	Credits must be taken in equal installments over a 5 year period beginning in the year placed in service; The minimum investment for non-commercial properties is $15,000; Credits for owner-occupied residences limited to one per structure each 10 years
TEXAS	None	None	Separate; must meet the eligibility requirements for each program separately	Direct transfer	Credit can be carried forward 5 years	A preliminary determination of significance can be completed for the project to start if designation eligibility requirements are not yet met, but issuance of a certificate and allocation of credits cannot be done until the designation is final
UTAH	None	None	Separate	-	Credit can be carried forward 5 years	Project costs must exceed $10,000; Property must be listed in National Register at time of application or within 3 years of approval
VERMONT	Previously $2.4, $2.8 million as of FY 2019	Specifically divided by Code, Historic, and Façade costs per project	Separate	Credits can only be sold to Vermont-based banks or insurance companies	Credit can be carried forward up to 9 years after the initial claim; credits must be claimed within 3 years of application	Projects must be completed within 3 years of the date of allocation; Priority is given to projects ranked by a scoring criteria system and then allocated in that order, prioritizing projects with the most public benefit
VIRGINIA	None	$5 million between 2017-2019, none as of 2020.	Separate	-	Credit can be carried forward 10 years	Reconstruction and improvements must amount to at least 25% of assessed value for owner-occupied properties and 50% for non-owner-occupied properties; Reports from a CPA are required
WEST VIRGINIA	$30 million	$10 million	For the commercial credit, apply using the federal HTC application; for the residential credit, apply using the state application	Direct transfer	Credit can be carried forward up to 10 years as of the tax year beginning after January 1, 2020.	$5 million reserved each year for projects with less than $500,000 QREs; Tax credits awarded on a first-come, first-served basis;
WISCONSIN	None	$3.5 million	Separate	Direct transfer	None	The applicant must receive approval from the SHPO before starting work

APPENDIX II: SURVEY RESPONSES

State HTC coordinators were asked to fill out as much data as possible, but in many cases, the data was not tracked by the SHPO or additional administering agencies, or was immediately available to share. The results are as follows:

STATE	Estimate the total amount of state historic tax credits awarded under your HTC program(s) in each of the following fiscal years ($):	Estimate the number of housing units that were created with state historic tax credits in each of the following fiscal years:	Estimate the number of housing units serving low-income residents and/or deemed affordable that were created with state historic tax credits in each of the following fiscal years:	Estimate the share of total state historic tax credits that went towards affordable housing units in each of the following fiscal years (%):	In your experience, how effective is the state historic tax credit program at supporting affordable housing projects?
ALABAMA		No Data	No Data	No Data	1
*Alabama State FY 2020	$20,820,304.00				
*FY 2019	$20,786,059.50				
*FY 2018	$14,913,939.25				
*FY 2017	No Data				
*FY 2016	No Data				
*FY 2015	No Data				
ARKANSAS		No Data	No Data	No Data	0
FY 2020	$4,000,000.00				
FY 2019	$3,873,220.89				
FY 2018	$3,019,061.62				
FY 2017	$2,930,014.19				
FY 2016	$3,128,220.15				
FY 2015	$4,000,000.00				
CONNECTICUT				No Data	6
FY 2020	$29,179,845.00	N/A	N/A		
FY 2019	$5,874,225.00	466	166		
FY 2018	$35,433,327.00	505	239		
FY 2017	$20,009,193.00	536	355		
FY 2016	$27,308,603.00	66	455		
FY 2015		768	324		
GEORGIA		No Data	No Data	No Data	3
FY 2020	38,200,000.00				
FY 2019	25,100,000.00				
FY 2018	41,600,000.00				
FY 2017	8,300,000.00				
FY 2016	6,500,000.00				

STATE	Estimate the total amount of state historic tax credits awarded under your HTC program(s) in each of the following fiscal years ($):	Estimate the number of housing units that were created with state historic tax credits in each of the following fiscal years:	Estimate the number of housing units serving low-income residents and/or deemed affordable that were created with state historic tax credits in each of the following fiscal years:	Estimate the share of total state historic tax credits that went towards affordable housing units in each of the following fiscal years (%):	In your experience, how effective is the state historic tax credit program at supporting affordable housing projects?
FY 2015	4,900,000.00				
ILLINOIS (River Edge Historic Tax Credit Program)					4
FY 2020	$21,567,229.00	179	38	16%	
FY 2019	$8,356,353.00	60	0	0%	
FY 2018	$13,076,405.00	129	0	0%	
FY 2017	$10,964,226.00	107	54	38%	
FY 2016	$1,880,109.00	23	0	0%	
FY 2015	$821,244.00	10	0	0%	
INDIANA (Residential Historic Rehabilitation Tax Credit Program)		No Data	No Data	No Data	No Data
FY 2020	$250,000.00				
FY 2019	$193,440.00				
FY 2018	$156,272.00				
FY 2017	$154,000.00				
FY 2016	$175,118.00				
FY 2015	$148,905.00				
KANSAS		No Data	No Data	No Data	8
FY 2020	$6,945,270.00				
FY 2019	$9,032,346.00				
FY 2018	$15,394,736.00				
FY 2017	$9,123,077.00				
FY 2016	$16,257,391.00				
FY 2015	$11,403,156.00				
KENTUCKY		No Data	No Data	No Data	7
FY 2020	$6,526,838.36				
FY 2019	$5,625,020.27				
FY 2018	$5,601,548.40				
FY 2017	$6,081,492.83				
FY 2016	$5,859,309.03				
FY 2015	$5,641,087.85				

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LOUISIANA		No Data	No Data	No Data	7
FY 2020	$48,496,062.00				
FY 2019	$63,550,929.00				
FY 2018	$144,849,023.00				
FY 2017	$100,506,143.00				
FY 2016	$78,589,217.00				
FY 2015	$71,607,194.00				
MAINE	* Total Certified Rehabilitation Expenses (eligible for state historic preservation tax credits)*			No Data	No Data
*February to February 2020	$28,913,224.00	116	64		
*2019	$16,101,515.00	44	51		
*2018	$20,123,154.00	116	66		
*2017	$62,227,106.00	306	149		
*2016	$270,683,724.00	146	194		
*2015	$53,589,152.00	112	176		
MISSOURI			No Data	No Data	No Data
FY 2020	$108,648,413.83	1,072			
FY 2019	$95,790,454.95	1,592			
FY 2018	$37,275,810.30	830			
FY 2017	$85,136,858.50	2,035			
FY 2016	$59,590,351.77	1,603			
FY 2015	$27, 994, 668.53	997			
MONTANA		No Data	No Data	No Data	5
FY 2020	270,000.00				
FY 2019	0				
FY 2018	0				
FY 2017	15,767.75.00				
FY 2016	145,891.00				
FY 2015	521,321.00				

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NEBRASKA		Total from January 1, 2015 – December 31, 2019: 862	Total from January 1, 2015 – December 31, 2019: 103	No Data	5
FY 2020	$6,268,605.00				
FY 2019	$6,300,000.00				
FY 2018	$3,357,599.00				
FY 2017	$6,631,703.00				
FY 2016	$8,972,953.00				
FY 2015	$14,933,178.00				
NEW MEXICO		No Data	No Data	No Data	0
FY 2020	400,000.00				
FY 2019	375,000.00				
FY 2018	350,000.00				
FY 2017	325,000.00				
FY 2016	300,000.00				
FY 2015	275,000.00				
OHIO					5
FY 2020	90,092,098.00	1,519	No Data	No Data	
FY 2019	128,917,492.00	858			
FY 2018	51,254,779.00	1,014			
FY 2017	44,451,420.00	1,113			
FY 2016	47,908,987.00	2,391			
FY 2015	55,770,014.00	2,088			
PENNSYLVANIA					3
FY 2020	$5,000,000 - pending allocation	734	165	To Be Determined	
FY 2019	$5,000,000.00	538	179	16.7%	
FY 2018	$3,000,000.00	290	28	6.7%	
FY 2017	$3,000,000.00	628	114	14.3%	
FY 2016	$3,000,000.00	777	0	0%	
FY 2015	$3,000,000.00	692	85	15%	

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RHODE ISLAND					
2020	No Data	48	41	No Data	No Data
2019		163	0		
2018		663	64		
2017		282	10		
2016		204	0		
2015		501	132		
TEXAS				Calculated from the amount of credits ($) allocated as a percentage of total credits ($) allocated	8
*Texas State FY 2020	$104,853,545.00	355 new (34 existing rehabilitated)	278 new	15%	
*FY 2019	$46,024,822.00	88 new (11 existing rehabilitated)	59 new	7%	
*FY 2018	$165,250,357.00	785 new (190 existing rehabilitated)	0 new (97 existing rehabilitated)	1%	
*FY 2017	$63,088,154.00	512 new (157 existing rehabilitated)	164 new	8%	
*FY 2016	$54,806,841.00	249 new	0 new	0%	
*FY 2015	$15,206,666.00	83 new	83 new	4%	
VERMONT				Calculated from the amount of credits ($) allocated as a percentage of total credits ($) allocated	7
FY 2020	$2,800,000.00	100	80	42.8%	
FY 2019	$2,800,000.00	120	100	42.8%	
FY 2018	$2,700,000.00	120	100	24%	
FY 2017	$2,200,000.00	100	75	17%	
FY 2016	$2,400,000.00	150	120	33.3%	
FY 2015	$2,200,000.00	120	100	25%	

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VIRGINIA		No Data	No Data	No Data	No Data
FY 2020	No Data				
FY 2019	No Data				
FY 2018	$105,810,230.00				
FY 2017	$88,253,048.00				
FY 2016	$87,613,173.00				
FY 2015	$62,196,690.00				

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