

## HISTORIC TAX CREDIT ENHANCEMENT ACT OF 2018 ([S. 3058](#)/[H.R. 6081](#))

To lessen potentially adverse effects, **supporters of the HTC are seeking to change a provision of the tax code that would improve the historic tax credit incentive.** Current law requires that a building's basis (the amount a property is worth for tax purposes) be reduced by an amount equal to the federal historic tax credit. To illustrate: If a building undergoes \$100 in historic rehabilitation work and generates a \$20 tax credit, the building's basis will be reduced by \$20, for an adjusted basis of \$80.

### Why is this significant?

When a building's basis is adjusted downward, the value of the building owner's depreciation deductions is also reduced. In other words, the value of the building's depreciation falls, making it less effective as a means to reduce a building owner's tax liability. Having a lower basis also has the negative effect of increasing the amount of gain (tax) owed on the future sale of the building.

In response, Representatives Darin LaHood (R-IL) and Earl Blumenauer (D-OR), and Senators Bill Cassidy (R-LA), Ben Cardin (D-MD), and Susan Collins (R-ME) have introduced legislation to eliminate the basis adjustment for federal HTC transactions. This change would provide owners of historic properties a greater tax benefit for their work, and attract more capital from tax credit investors that will result in more dollars flowing to historic rehabilitation projects. Eliminating the basis adjustment also puts the HTC in line with the Low-Income Housing Tax Credit.

### Talking points:

- The HTC provides owners of historic buildings with an incentive to invest in the difficult task of rehabilitating their properties according to the Secretary of the Interior's Standards for Rehabilitation.
- While the 20 percent historic tax credit was maintained in the final tax reform bill, it was modified, and this is expected to reduce the amount of reinvestment flowing into our historic communities and neighborhoods.
- Presently, the tax code requires that building owners subtract the amount of federal historic tax credits from a building's basis (the amount a property is worth for tax purposes). Eliminating this requirement will increase the basis of rehabilitated historic buildings for building owners, providing a tax benefit, and attract more capital from tax credit investors. Reps. LaHood (R-IL) and Blumenauer (D-OR) and Sens. Cassidy (R-LA), Cardin (D-MD), and Collins (R-ME) have introduced the Historic Tax Credit Enhancement

Act (H.R. 6081 and S. 3058) to eliminate the basis adjustment for federal HTC transactions.

- This legislative change still preserves the vast majority of the savings achieved by the Tax Cut and Jobs Act, and eliminating the basis adjustment will also bring the HTC in line with the Low-Income Housing Tax Credit (LIHTC), which does not require a basis adjustment.
- Enacting this legislation will strengthen the credit and improve the incentive for building owners who are revitalizing historic properties in communities nationwide. Please co-sponsor the Historic Tax Credit Enhancement Act, sponsored by Cassidy/Cardin/Collins in the Senate (S. 3058) and LaHood/Blumenauer in the House (H.R. 6081).