



**National Trust for  
Historic Preservation<sup>®</sup>**  
*Save the past. Enrich the future.*

February 21, 2020

The Honorable Anne R. Keiser, Chair  
The Honorable Alonzo T. Washington, Vice Chair  
House Ways and Means Committee  
Lowe House Office Building, Room 131  
6 Bladen Street, Annapolis  
Annapolis, Maryland 21401

RE: Support House Bill 862 (Historic Revitalization Tax Credit Improvement Act of 2020)

Dear Chairwoman Keiser, Vice Chair Washington and Members of the Committee,

On behalf of the more than 3,000 Maryland members of the National Trust for Historic Preservation, thank you for the opportunity to testify about the many benefits a strong state historic tax credit delivers to the state. Over the past 30 years, the National Trust has tracked the enactment of 37 state historic tax credits, including the Maryland Heritage Structure Rehabilitation Tax Credit Program.<sup>1</sup>

Historic tax credits leverage significant private investment to rehabilitate historic properties that would otherwise be demolished or remain underutilized. As the recent report by the Abell Foundation concludes, the Maryland Historic Revitalization Program yields \$8.13 in total economic output for every dollar invested in the program.<sup>2</sup> The report highlights how Maryland's historic tax credit, once a leading example of a state program that successfully directed \$329 million in private investment toward its historic buildings in a single year, has since faced diminished economic returns that last year generated private investment of less than \$40 million. Maryland is fortunate to have an abundance of historic buildings that are eligible for state and federal historic tax credits. We urge the Committee to leverage these community assets by advancing House Bill 862, the Historic Revitalization Tax Credit Improvement Act, that will increase funding for the program to \$30 million by FY 2025 and allow for direct transfer of the credit outside the development partnership.

### **Historic Rehabilitation is Good for the Economy**

In the last fifteen years, dozens of studies have been conducted throughout the United States by different analysts using different methodologies. The results of those studies, however,

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<sup>1</sup> Maryland Department of Planning, Maryland Historical Trust, Maryland Historic Revitalization Tax Credit Program, <https://mht.maryland.gov/taxcredits.shtml>

<sup>2</sup> The Abell Report, "The Economic Benefits of Maryland's Historic Revitalization Tax Credit Program." by Ethan Reed, The Abell Foundation, January 2020.

are remarkably consistent — rehabilitating historic buildings is good for the economy. From this large and growing body of research, the positive impact of historic preservation on the economy has been documented in six broad areas: 1) jobs, 2) property values, 3) heritage tourism, 4) environmental impact, 5) social impact, and 6) downtown revitalization.<sup>3</sup> According to the National Park Service, “the benefits of investment in HTC-related historic rehabilitation projects are extensive, increasing payrolls and production in nearly all sectors of the nation’s economy. The cumulative effects for the period of FY 1978 through FY 2018 are illustrative. During that period, \$162.0 billion in HTC-related rehabilitation investment rehabilitated more than 44,000 historic buildings, creating 2,677,000 jobs and \$176.2 billion in GDP.”<sup>4</sup>

### **State Historic Tax Credits Create Construction Jobs**

Rehabilitation and revitalization projects create thousands of construction jobs annually, and historic preservation creates more jobs than new construction. That’s because historic preservation creates more jobs largely because rehabilitation projects are more labor intensive than new construction.<sup>5</sup> According to the Abell Report, rehabilitation activity creates up to 20 percent more jobs than new construction, noting specifically that, “Over the past 11 years, the state’s tax credit investment has generated 958 more jobs than would have been created had the same funds been used for new construction.”<sup>6</sup>

### **Historic Tax Credit Projects Begin to Pay Back Immediately**

Independent studies conclude that one-third of a state’s investment is recouped by the state before historic tax credits are issued. In Maryland, a 2017 study by the Center for Urban and Regional Analysis found that historic rehabilitation projects paid back the initial tax credit investment within five years through state and local tax revenues.<sup>7</sup> Given that historic tax credits are not awarded until a project is complete, the state gains revenue from taxes paid on materials and labor before a rehabilitated building is occupied.

### **Easily Transferrable Credits Create More Value for Investors**

A key aspect of House Bill 862 is that it would allow direct transfer of historic tax credits. States that offer multiple ways to transfer their historic tax credits to entities with tax liability are more successful attracting investment dollars to prospective rehabilitation projects. A high-performing state historic tax credit requires a workable mechanism to put the credit in the hands of the party that can use it. Twenty states allow their historic tax credits to be transferred by direct sale to an investor who remains outside the development partnership. The tax code in these states permits the party that earns the credit to assign or sell the credits outright to a third part that has sufficient tax liability to use it.

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<sup>3</sup> “Measuring the Economics of Preservation, Recent Findings,” Prepared for the Advisory Council on Historic Preservation by PlaceEconomics, <http://www.landmarks.org/wp-content/uploads/2016/08/Measuring-the-Economics-of-Preservation.pdf>. 2011.

<sup>4</sup> National Park Service. “Annual Report on the Economic Impact of the Federal Historic Tax Credit for FY 2018” 2019, p. 5 – 6.

<sup>5</sup> Rypkema, Donovan D. “The Economics of Historic Preservation: A Community Leader's Guide” (Washington, D.C.: National Trust for Historic Preservation, 1994, p.14.

<sup>6</sup> The Abell Report, “The Economic Benefits of Maryland’s Historic Revitalization Tax Credit Program.” by Ethan Reed, The Abell Foundation, Pg. 9 – 10. January 2020.

<sup>7</sup> Sarin Adhikari, Jeffrey Crawford, Fabrizio Fasulo, Michael Mackenzie, “Preserve the Past, Building the Future” January 2018.

After the rehabilitated building is placed in service and final tax credit approvals obtained, the taxpayer is given a certificate to claim their state income tax credit. These direct sales can significantly lower transaction costs. The most effective state tax credits provide property owners, investors, and lending institutions with the ability to utilize the credits certified by the state. Because each rehabilitation project has unique challenges and financing options differ, those states that offer multiple ways to transfer HTCs to entities with tax liability are more successful in attracting private investment dollars.

**Efforts to Establish or Expand Historic Tax Credit Incentives are Increasing**

State historic tax credit programs are growing in popularity because they are a proven approach to economic revitalization. In the past five years, nine states have created historic tax credit incentives, while several other states, including Pennsylvania and West Virginia, have recently strengthened their incentives. States find these credits appealing because they create jobs, provide an immediate return on investment, and encourage investment in areas that need it most.

Many developers look at state historic tax credit programs when deciding where to invest. Maryland is losing valuable development dollars to states like Virginia with strong state tax credit programs and this trend could continue as other neighboring states work to establish or improve historic tax credit incentives.

On behalf of the National Trust for Historic Preservation, I urge you to support House Bill 862, the Historic Revitalization Tax Credit Improvement Act. A stronger historic tax credit program for Maryland will attract more private investment to the state, create jobs, and ensure its rich architectural heritage will be preserved for future generations.

Thank you for the opportunity to provide testimony.

Sincerely,



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