Tax Credits on Main Street:
Real World Development Issues in Small Towns

Real Places
January 2018
Tax credits help finance historic preservation projects by offsetting income tax or business tax liability as a dollar-for-dollar reduction.
**Federal Rehabilitation Tax Credit**
Allows for a credit on federal income tax liability equal to 20% of qualified expenses on an eligible rehabilitation project.

Administered by the NPS, IRS and SHPOs.

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**Texas Historic Preservation Tax Credit**
Allows for a credit on Texas Franchise or Insurance Premium tax liability equal to 25% of qualified expenses on an eligible rehabilitation project.

Administered by the THC and the Texas Comptroller.
Who can use preservation tax credits?

- The federal tax credit applies to federal income tax. Anyone who pays federal income tax may receive and use the credit. The federal credit is not easily transferable. Non-profits may participate in the federal credit for business properties if they partner with a for-profit investor.

- The state program offers applies to the Texas Franchise Tax. Anyone may receive the credit certificate, including non-profits; those who do not owe franchise taxes may sell or transfer the credits.
Combining the state and federal credits:

The state tax credit **may be used separately or in conjunction** with the 20% federal tax credit for rehabilitation.

**Combining the credits** can make many projects possible that were never previously financially feasible.

Federal 20% + State 25% = Max Benefit 45%
Two basic program requirements:

1) Building must be a *certified historic structure*.

2) Project must be a *certified rehabilitation*.
   a. Meets cost threshold
   b. Meets Secretary’s Standards for Rehabilitation
What is a Certified Historic Structure?

- National Register, individual listing
- National Register, district listing – contributing buildings only

State only
- Recorded Texas Historic Landmark (RTHL)
- State Antiquities Landmark (SAL)
What is the cost threshold?

- The federal credit requires a “substantial rehabilitation” equal to the adjusted basis of the building.

  Adjusted basis = purchase price of property - value of land + improvements – depreciation

- The state credit requires expenses of at least $5,000.

  This enables small projects, like roof replacements, window repairs, mechanical system upgrades, or interior or exterior ‘face-lifts’.
What is a rehabilitation?

Rehabilitation makes possible a compatible use for a property through repair, alterations, and additions, while preserving those portions or features which convey its historical, cultural, or architectural values.

Projects must follow the Secretary of the Interior’s Standards for Rehabilitation and be reviewed by the THC.
THPTC Applications and Project Cost by City
January 1, 2015 – December 31, 2020

- Houston: 38, $372,873,395
- San Antonio: 55, $156,547,448
- Dallas: 40, $1,113,553,711
- Fort Worth: 21, $125,008,965
- Galveston: 26, $47,477,829
- El Paso: 10, $76,787,815
- Austin: 16, $16,181,249
- 57 Other Cities: 110, $215,489,518
Amy Miller
City of Elgin
Community Development Director

101 N. Main
New Life for an Old Building

By: Amy Miller, Community Development Director

We caught up with Allan Tolbert on his way to 101 North Main Street.

And Allan said, “My wife, Deborah Regan, is from Elgin. For years we’ve helped with the annual Pleasant Grove Cemetery cleanup. Ten years ago we bought property to escape from the big city.” Generations of Deborah’s relatives rest in peace at Pleasant Grove. On their trips to Elgin, Allan and Deborah kept up with downtown improvements.

Why downtown Elgin? “We noticed this building because it was so sad in its deterioration. We wanted to be a part of making good things happen downtown.”

What draws you to renovate a historic building? “It’s a joy to renovate buildings and put them back to good use. It would have been a terrible loss to have this building torn down. We see a lot of good people doing good work, and have for years. This makes things happen. You can see that things have a come a long way in Elgin.”

Elgin is a National Accredited Main Street Community and a Texas Main Street City. Since 1990 the private and public sectors...
Tax Credits on Main Street
Fran McCarthy
President, Central City Properties
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- Why use tax credit projects in Main Street or other smaller cities?
- What are the pros and cons of tax credits for smaller-scale projects?
- How do developers find buildings? How do smaller cities attract developers?
- How do you figure out what to use a building for?
- How can developers and small local governments work together to support tax credit projects?
- How do we make tax credits attractive and accessible to existing long-term property owners?
- How do you find professionals that will work in smaller cities or far-flung areas?
Tax Credits on Main Street

www.thc.texas.gov/taxcreditprogram

www.thc.texas.gov/taxcreditprojects