

# PROTECT THE MINNESOTA HISTORIC REHABILITATION TAX CREDIT IN TAX CONFORMITY

The **Minnesota Historic Structure Rehabilitation Tax Credit** (MN Statute 290.0681), passed into law in 2010, has been a successful economic development tool for revitalizing distressed, vacant, and underutilized historic properties throughout the state. The credit provides a refundable income tax credit equal to 20% of qualified rehabilitation expenses made to buildings listed in the National Register of Historic Places and used for income-producing purposes (including office, industrial, retail, hospitality, and rental residential).

In FY 2018, the MN Historic Rehabilitation Tax Credit generated \$9.50 in economic activity for every \$1 allowed in the credit. From 2011-2018, the credit resulted in an estimated **\$3 billion of economic activity**, including **\$993.5 million in labor income** and **16,557 FTE jobs**.

The MN Historic Rehabilitation Tax Credit is tied to the Federal Historic Tax Credit in statute. Projects must qualify for – and claim – the Federal credit in order to receive the state credit.

The Tax Cuts and Jobs Act, passed in December 2017, restructured the terms by which the Federal credits are claimed. Project developers must now claim the Federal Historic Tax Credit ratably over a period of five years, beginning with the tax year in which the rehabilitated building is placed in service.

**Changes to the Federal rules have significantly reduced the value of the Federal Historic Tax Credits.** Typically, project developers sell the credits to investors (including banks and insurance companies) to earn capital to invest in the project. The Federal changes have reduced the price paid for these credits by as much as 10-15%.

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## OUR ASK

Include the provisions of HF1642/SF1639 in the Tax Conformity bill

### RETAIN THE MINNESOTA HISTORIC REHABILITATION TAX CREDIT AS A ONE-TIME, REFUNDABLE CREDIT

The MN Rehabilitation Tax Credit should **NOT** conform with the Federal change that requires the credit to be claimed ratably over five years. Retaining the refundability of Minnesota's credit will bring needed capital to rehabilitation projects by reducing the carrying costs of construction and bridge loans.

### ELIMINATE THE HISTORIC REHABILITATION TAX CREDIT SUNSET DATE

Affirming support for the Minnesota Historic Rehabilitation Tax Credit past 2021 will provide the certainty that project developers need to proceed with complex and time-consuming projects.

### PROVIDE FLEXIBILITY IN THE USE OF THE HISTORIC REHABILITATION TAX CREDIT BY ALLOWING FOR MULTIPLE TRANSFERS

Allowing the credit certificate to be transferred more than once will attract additional investors, improving the likelihood of success.

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