Preservation
League *of* NYS

Recommendations for Extension and Reform of the NYS Historic Tax Credit and Response to the Federal Tax Cuts and Jobs Act

The Preservation League of New York State is New York State's statewide historic preservation nonprofit. We lead advocacy, economic development and education programs across the state.

The Federal Tax Cuts and Jobs Act creates new obstacles to historic preservation in New York State. The 20% Federal Historic Tax Credit was changed in the tax reform so that instead of taking the credit in a single year, investors must spread out the credit over five years. By requiring this five year credit period, the federal government diminished the value of the federal historic preservation tax credit. In New York State, the state historic preservation tax credit is linked to the federal tax credit, therefore, changes on the federal level weaken the state tax credit.

This challenge is among those addressed in Governor Cuomo's preliminary report on strategies to address the federal tax reform's impact on New York State. The Preservation League appreciates the opportunity to provide feedback on this report. We hope that these tax reform ideas will be discussed with the legislature and addressed in this year's budget, due to be enacted by April 1, 2018.

To inform this discussion and with the understanding that New York State faces a $4.4 billion deficit in 2018-19, the Preservation League of New York State provides the following comments.

The NYS Historic Commercial Properties Tax Credit and NYS Historic Homeownership Rehabilitation Tax Credit should be extended through December 31, 2024.

Since Governor Cuomo signed the NYS Historic Tax Credit extension and expansion in 2013, we have seen significant investment across New York State. The NYS Historic Tax Credit has particularly stimulated economic development in upstate cities, towns and villages. We believe that in order to remain effective and to catalyze economic development and investment in historic urban downtowns and neighborhoods, villages, and rural communities, the programs must be extended beyond December 31, 2019. Extension in the 2018 budget will ensure that projects currently in the pipeline for investment and rehabilitation continue to move forward, with investor and developer confidence that the program will remain in place. This confidence will allow continued reinvestment in the urban cores, downtowns and main streets of communities across New York State.

The Preservation League has seen communities across New York State recognize the economic impact of the NYS Historic Tax Credit and seek program eligibility through National Register Historic District nominations. These National Register nominations can take up to a year for completion and designation. Buffalo has led the state in number of Historic Tax Credits, thanks to our NYS program. Other upstate cities and towns, such as Binghamton, Jamestown, Rochester, Syracuse, and Albany, are now following Buffalo's lead.

The following communities are among the many currently completing National Register Historic District nominations, with the goal of using Historic Tax Credits following designation.

- West Harlem, New York City
- Westcott neighborhood, Syracuse
- Park Avenue neighborhood, Rochester
- University Heights neighborhood, Buffalo
- Village of Schoharie, Schoharie County
- Village of Palatine Bridge, Montgomery County
- East Water Street, Elmira, Chemung County
- Village of Monticello, Sullivan County

Without reassurance that the program will continue beyond 2019, communities will have no incentive to seek program eligibility, derailing economic revitalization efforts throughout upstate New York.

The NYS Historic Tax Credit Should be Decoupled from the Federal Tax Credit

Currently, the 20% NYS Historic Commercial Properties Tax Credit is contingent upon use of the Federal Historic Tax Credit, with the NYS credit defined as "equal to 100% of the federal credit allowed under Internal Revenue Code (IRC) subsection 47(a)(2)." The Preservation League recommends that state law redefine the credit as 20% of Qualified Rehabilitation Expenditures (QRE). By decoupling the state tax credit from the federal credit, the state program can maintain its vitality.