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JOINT LEGISLATIVE BUDGET HEARING ON 2018-19 EXECUTIVE BUDGET PROPOSAL: TOPIC TAXES

Testimony of the Preservation League of New York State on the New York State Historic Tax Credit Program

Wednesday, February 8, 2018

Legislative Office Building, Hearing Room B, Albany, New York

Testimony given by Erin Tobin, Vice President for Policy and Preservation, Preservation League of New York State

Chairwoman Young, Chairwoman Weinstein, and distinguished members of the Senate and Assembly, thank you for the opportunity to speak with you today about the importance of extending the New York State (NYS) Historic Tax Credit.

As New York State's only statewide historic preservation nonprofit organization, the Preservation League of New York State invests in people and projects that champion the essential role of preservation in community revitalization, sustainable economic growth, and the protection of our historic buildings and landscapes. We lead advocacy, economic development, and education programs across the state and partner with local preservation organizations throughout New York.

Our advocacy was instrumental in establishment and enhancement of the NYS Historic Tax Credit program. First established in 2007, in 2013 this program was enhanced and extended through 2019, thanks to Governor Cuomo and NYS Assembly and Senate. Since its inception, the NYS Historic Tax Credit has proven to be a cost-effective economic development and historic preservation incentive and has served as a national model for state historic tax credits.

Thanks to our NYS Historic Tax Credit, New York now leads the country in economic impacts of Historic Tax Credit-related investment. In 2016, Historic Tax Credit projects (Federal and State) created \$45.6 million in NYS taxes, along with \$53.9 million in local taxes and \$142.9 million in federal taxes. Historic Tax Credit projects in New York State generated more local, state, and federal taxes than any other state in the country. Additionally, these projects created almost 14,000 jobs for FY 2016 alone.

To maintain the vibrancy of the NYS Historic Tax Credit 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 program 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 in every corner of New York State.

The Preservation League has seen municipalities across New York 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 Syracuse, Albany, Rochester, Binghamton, and Jamestown 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

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 credit. Our NYS Historic Tax Credit is linked to the Federal Historic Tax Credit, therefore, changes on the federal level weaken the state tax credit. Economists currently estimate that by spreading the credit over five years, the Federal Historic Tax Credit will have a reduced value to investors who contribute the necessary capital for historic preservation projects as part of a Historic Tax Credit project.

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)." Because our NYS Historic Tax Credit is coupled with the Federal Historic Tax Credit, we expect that the state will similarly see a loss in the investment value of its credit dollar.

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 and New York State can continue to see a strong return on its tax credit investment.

Thank you for your time and consideration of my testimony this morning.

Respectfully submitted by:

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