



State of Oklahoma

Incentive Evaluation Commission

Historic Rehabilitation Tax Credit Draft Evaluation

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Key Findings and Recommendations



Overview

In 1992, as part of the Local Development Act, the Oklahoma Legislature introduced a tax credit for the rehabilitation of certified historic hotels and newspaper plants located in a tax increment or incentive district. Effective January 1, 2006, with the passage of HB 3024, credit eligibility was broadened to include the rehabilitation of any income-producing certified historic structure; the bill also allowed projects that qualify for the 20 percent federal credit to automatically qualify for the state credit (also 20 percent) without additional paperwork. All requirements with respect to qualifying for the federal credit are applicable.

Recommendation: Retain.

Key Findings

- **As of 2024, most states (37) provide historic rehabilitation tax credits, though significant variation exists in how these programs are structured.** At 20 percent of qualified rehabilitation expenditures, the amount of Oklahoma’s credit ranks in the middle among other states, whose credits range from 5 to 50 percent. With a minimum investment requirement of \$5,000, Oklahoma’s qualification threshold is among the lowest. Unlike Oklahoma, many states provide credits for non-income-producing properties.
- **As of July 2024, Oklahoma has 1,419 properties in 77 counties listed on the National Register of Historic Places.**¹ Oklahoma County accounts for 170 properties (12.0 percent of the total) and Tulsa County accounts for an additional 105 properties (7.4 percent).²
- **Between tax years 2019 and 2024, claims activity associated with the incentive decreased.** Claims peaked in 2020 at 16, and in 2023 the most recent full year, six claimants were approved.
- **Since 2010, the program has been associated with more than \$1 billion in qualified expenses.** In this evaluation period, 2019 to 2024, the total was \$505 million.
- **Changes to federal tax law and increases in the federal funds rate may be impacting the use of the credit.** The Tax Cuts and Jobs Act (TCJA) modified the timing for claiming the 20 percent federal credit effective for taxable years beginning after 2017. Under the new rules, the federal credit is claimed over a five-year period beginning with the taxable year that the certified historic building is placed in service after substantial rehabilitation. In addition, inflation concerns have caused the Federal Reserve Bank to raise interest rates, which has a direct impact on financing costs for real estate transactions. Finally, inflation related to land values, construction materials and labor, plus supply chain disruptions all brought about by the COVID-19 pandemic have also limited demand.
- **The credit appears to generate significantly more economic activity than what the State forgoes in revenue.** IMPLAN estimates a \$1.5 billion output associated with the program between 2014 and 2024. That includes more than 9,000 jobs.

¹ The National Register of Historic Places is a catalog of buildings, sites, structures, districts and objects significant to history and is the foundation for all of the Oklahoma State Historic Preservation Office’s programs. Listing in the National Register of Historic Places provides recognition, limited protection and, in some cases, financial incentives for these properties.

² National Register of Historic Places, “Spreadsheet of NRHP Listed Properties,” (listings up to July 10, 2024). Available at <https://www.nps.gov/subjects/nationalregister/data-downloads.htm>



- **However, the program’s fiscal return to the State is generally negative.** On a pure fiscal basis, the program has paid more in awards than it has generated in direct revenues. IMPLAN estimates this net loss at \$20,8 million over the study period.
- **The State historic rehabilitation tax credit is increasingly combined with the State’s affordable housing tax credit.** This strategy, which is also allowable under for the federal-level incentives, nayt account for the growth in housing-related projects as a share of total projects and total qualified expenditures in recent years (as opposed to multi-use, commercial, office, hotel or other projects).
- **The incentive is effectively administered.** The program is among the most efficient nationwide because it is directly tied to the federal program with little additional administrative burdens or costs. The policies and procedures in place are timely, transparent and accountable.
- **While protections are not in place to restrain the incentive’s fiscal impact, recent experience suggests this isn’t a major concern at present.** Because Oklahoma’s program has no annual cap, the cost burden on the State could grow beyond the point of desirability. It is notable, however, that – as explained previously – credit usage has declined in recent years. As a result, the possibility that the obligations associated with credit claims will impose an unanticipated cost burden to the State is unlikely.

Recommendations

Currently, the program has no cap as it provides a one-for-one match with the federal credit. The lack of a cap could theoretically increase the cost burden to the State beyond the point of desirability. However, given the recent trend of decreased program utilization, in terms of the foregone revenue to the State, the project team does not believe the lack of a cap poses a real financial threat at this time.

Anecdotally there have been instances of using the program in conjunction with affordable housing tax credits and providing housing for low-income seniors in rural areas. This is not an explicit goal of the Historic Rehabilitation Tax Credit, however it is a positive externality. Many states seek to incentivize this type of development, with mixed results. If the State determines that these outcomes are critical to the health of the housing market and overall economy, it could consider adding “bonus” categories to the program that encourage these particular uses. However, it may be that adding directly to affordable housing programs would yield a greater return on investment, so the project team is not putting this forward as a recommendation.



Introduction



Incentive Evaluation Commission Overview

In 2015, HB2182 established the Oklahoma Incentive Evaluation Commission (the Commission). It requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe. The law also provides that criteria specific to each incentive be used for the evaluation. The Commission has completed two cycles of qualified evaluations, from 2016-2019 and 2020 through 2023. This is now the first year of a new four-year cycle.

In 2023, the Legislature passed and Governor Stitt signed into law SB 745, which made a number of changes to the incentive evaluation process that were recommended by the Commission. Among them was the ability of the Commission to review qualified incentives within the four-year evaluation cycle. In prior cycles, incentives had to be reviewed at least once every four years, which effectively locked in place the order that incentives would be evaluated. As a result, some incentives in this cycle may be reviewed in less or more than four years.

One reason for the change in the evaluation cycle was to allow incentives with similar purposes or that are targeted to specific industries or parts of the state to be evaluated in the same year. This allows for continuity in the discussion and comparisons of effect and effectiveness. This grouping is considered an evaluation best practice.³ For 2024, there are two broad categories of evaluated incentives:

- Financing/Venture Capital/Early Business related.
- Tourism/Film/Quality of Life related.

The Historic Rehabilitation Tax Credit fits within the Quality of Life category. It is one of the 12 incentives up for evaluation in 2014. Based on this evaluation and additional information, the Commission will make a recommendation related to this tax credit to the Governor and the Legislature.

2020 Evaluation Findings and Recommendations

Significant findings from the 2020 evaluation of this program are displayed in the following table:

Table 1: Summary of Findings, 2020 Evaluation

Fiscal and Economic Impact	Fiscal Impact: Between 2014 and 2018, a total of \$26.8 million tax credits was claimed – the amount of foregone revenue to the State. Economic Impact: Between 2014 and 2018, the incentive generated \$567.1 million in economic output, \$230.3 million in labor income, nearly 4,500 jobs and \$15.9 million in State tax revenue.
Adequate Protections for Future Fiscal Impact?	No. Without an annual cap in place, the cost burden on the State could grow beyond the point of desirability.
Effective Administration?	Yes. The program is among the most efficient nationwide because it is directly tied to the federal program with no additional administrative burdens or costs. The policies and procedures in place are timely, transparent and accountable.

³ “Best Practices for Planning Tax Incentive Evaluations: Lessons Learned from Indiana’s Evaluation Process,” Pew Charitable Trusts, August 2022, p.3. Accessed electronically at www.pewtrusts.org/-/media/assets/2022/08/best-practices_incentiveeval-planning_2022-3-24_final.pdf



Achieving Its Goals?	Yes. Since 2005 (the year the program was tied to the federal process), the average number of historic rehabilitation projects has quadrupled, and total development investment has increased by 82 times. This level of growth far exceeds that of most other states.
Changes to Improve Future Evaluation	None

The project team recommended in 2016 that the program be retained and that an annual cap be adopted to ensure some measure of future budget predictability. The Commission voted 5-0 to approve retaining the program but did not recommend the adoption of an annual cap. In 2017, the Legislature considered – but did not pass – an annual cap or sunset provision.

2024 Criteria for Evaluation

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation. In the case of this incentive, while the specific goal was not included in legislation, its purpose is presumably to increase private sector investment in historic rehabilitation activity.

Additionally, to assist in a determination of program effectiveness, the Commission has adopted the following criteria:

- Total amount of rehabilitation expenditures and number of qualified projects;
- State tax credit as a percent of total rehabilitation improvement for qualified projects;
- Percent of qualified structures on the National Register of Historic Places that receive assistance;
- Economic impact related to tourism, sales tax generated, etc.;
- Use with other related business incentives;
- Return on investment (economic impact versus financial impact).

2024 Evaluation Approach

To conduct its 2024 review of the Historic Rehabilitation Tax Credit, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Tax Commission (OTC) and State Historic Preservation Office (SHPO) housed within the Oklahoma Historical Society;
- Reviewed and analyzed OTC- and SHPO-provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from OTC and SHPO;
- In collaboration with the Oklahoma City, Tulsa and State Chambers of Commerce, conducted external stakeholder interviews with industry representatives;

Benchmarked Oklahoma to other states.



Background



Federal and State Historic Rehabilitation Tax Credits

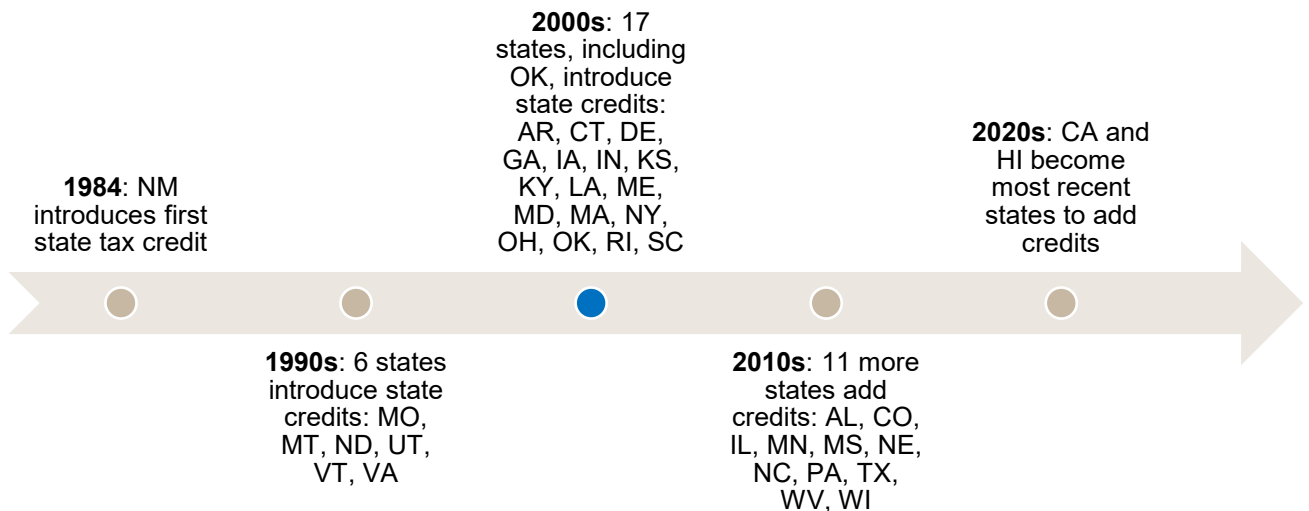
Since 1976, the federal government has promoted historic preservation and community revitalization through a historic rehabilitation tax credit. The federal program provides a 20 percent tax credit to property owners who undertake a substantial rehabilitation of a historic building in a business or income-producing use, while maintaining its historic character. Since the federal program's enactment, more than 49,000 projects have been completed, leveraging over \$131 billion in private investment in the rehabilitation of historic properties in all 50 states.

According to the National Park Service (NPS), the federal credit “generates jobs and economic activity, enhances property values in older communities, creates affordable housing, and augments revenue for federal, state, and local governments, leveraging many times its cost in private expenditures on historic preservation. This widely recognized program has been instrumental in preserving the historic buildings and places that give cities, towns, Main Streets, and rural areas their special character and has attracted new private investment to communities small and large throughout the nation.”⁴

Additionally, according to experts, as an economic activity, historic rehabilitation outperforms new construction in job creation. Rehabilitation project costs are on average 60 percent labor and 40 percent materials – compared to new construction, which is an estimated 40 percent labor and 60 percent materials. In addition to hiring local labor, materials for the rehabilitation are more likely to be purchased locally.⁵

Eight years after the federal government introduced its historic rehabilitation incentive program, New Mexico became the first state to enact its own program. Other states followed, as shown in the following figure:

Figure 1: Introduction of State Historic Preservation Tax Credits



Source: National Trust for Historic Preservation

⁴ NPS, “Federal Tax Incentives for Rehabilitating Historic Buildings, Annual Report for Fiscal Year 2023,” (March 2024). Available at <https://www.nps.gov/subjects/taxincentives/upload/report-2023-annual.pdf>

⁵ National Trust for Historic Preservation, “State Historic Tax Credits: Maximizing Preservation, Community Revitalization and Economic Impact,” (November 2018). Available at https://forum.savingplaces.org/viewdocument/report-on-state-historic-tax-credit?_ga=2.190952686.519120685.1596036305-164044860.1593543237



While Oklahoma introduced a credit for the rehabilitation of historic hotels and newspaper plants in 1992, it was not until 2005 (for qualified rehabilitation expenditures incurred after January 1, 2006) that program eligibility was expanded more generally to certified historic buildings.

As of 2024, 37 states offer some type of historic rehabilitation tax credit,⁶ though significant variation in the parameters of these programs exists (as discussed in the Incentive Benchmarking chapter of this evaluation).

Oklahoma Historic Tax Credit Projects

As of July 2024, Oklahoma has 1,419 properties listed on the National Register of Historic Places, which are located in 77 counties.⁷ Oklahoma County alone accounts for 170 properties (12.0 percent of the total) and Tulsa County accounts for an additional 105 properties (7.4 percent of the total).^{8,9}

Between 2010 and 2024, 132 historic buildings were rehabilitated using historic tax credits, as shown in the following table. Collectively, housing, multi-use and commercial projects account for 79.5 percent of the total.

Table 2: Oklahoma Tax Credit Projects by Building Type, 2010-2024¹⁰

	Housing	Multi-Use	Comm.	Office	Other	Hotel	Not Reported	Total
2010	0	3	0	0	2	1	0	6
2011	3	2	1	0	0	0	0	6
2012	1	2	0	1	0	0	0	4
2013	0	4	1	1	1	0	0	7
2014	3	2	1	2	0	1	0	9
2015	2	3	1	1	1	0	0	8
2016	10	8	5	0	1	0	1	25
2017	5	1	0	0	0	0	0	6
2018	6	2	2	1	1	0	0	12
2019	8	3	0	3	0	0	0	14
2020	5	1	5	4	0	1	0	16
2021	4	2	0	0	0	0	0	6
2022	0	3	1	1	0	0	0	5
2023	2	1	1	0	1	1	0	6
2024	0	1	0	1	0	0	0	2
Total	49	38	18	15	7	4	1	132

Source: National Trust for Historic Preservation

⁶ Alaska, Arizona, Florida, Idaho, Nebraska, New Hampshire, Nevada, Oregon, South Dakota, Tennessee, Washington and Wyoming do not currently have state-level historic rehabilitation tax credit programs.

⁷ The National Register is a catalog of buildings, sites, structures, districts and objects significant to history and is the foundation for all of the Oklahoma State Historic Preservation Office's programs. Listing in the National Register provides recognition, limited protection and, in some cases, financial incentives for these properties.

⁸ National Register of Historic Places, "Spreadsheet of NRHP Listed Properties," (listings up to January 8, 2020). Available at <https://www.nps.gov/subjects/nationalregister/data-downloads.htm>

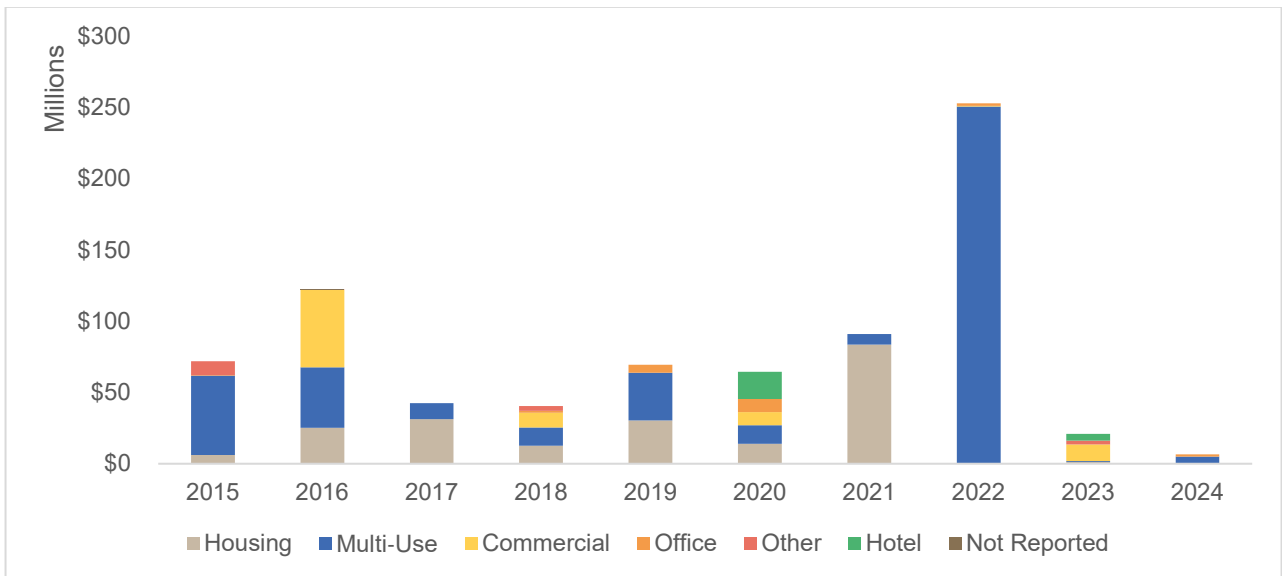
⁹ One of the criteria for evaluation is the "percent of qualified structures on the national registry of historic places that receive assistance." However, in the course of the project team's analysis, it was determined that the percent of qualified structures on the national registry of historic places that receive assistance would not provide insight into the percentage of eligible buildings that have utilized the tax credit, as a structure's inclusion on the National Registry of Historic Places is not the sole determinant of eligibility for this incentive.

¹⁰ 2024 is partial year data as of May 2024



These 132 projects have a total of more than \$1 billion in qualified expenditures. When the number of projects peaked in 2016 at 25, qualified expenditures reached \$123 million. However, the First National Bank and Trust Company Building, a major mixed-use development in Oklahoma City, single-handedly surpassed this with credits of more than \$238 million for that project alone.

Figure 2: Qualified Expenditures, Oklahoma Tax Credit Projects, 2015-2024



Source: National Trust for Historic Preservation

The State credit is a popular tool for developing affordable housing, as well. In the study period, there were 13 affordable housing projects totaling more than \$68 million in QREs, or about 14 percent of the total.

Qualitative Impacts

Preserving historic properties can be considered a positive qualitative impact on its own. A historic structure adds character to its neighborhood and serves as an educational and cultural attraction, whether on its own or as part of a historic neighborhood. Positive environmental impacts are another key benefit. Rehabilitating a structure, by definition, requires reusing materials and reducing waste and debris from demolition. One study in the state of Illinois found that preserving historical structures reduces carbon emissions equivalent to keeping more than 2,500 cars off the road per year.¹¹

Case studies of individual projects have shown reductions in crime, increased tourism, and increased foot traffic in the areas surrounding rehabilitated properties. There is also evidence that affordable housing is incentivized through the program, as real estate developers can offset some costs of construction and combine their rehabilitation with additional tax credits. At the federal level, the Department of Housing and Urban Development advertises the federal Historic Tax Credit as a strategy to develop affordable housing.¹² Similar activity is likely happening at the state level, especially when considering the geographic preference for low-income census tracts where affordable housing units are needed. Adding to this is the catalytic potential of the program. Several case studies offer compelling examples of how incentivizing the reuse of these buildings create new residential and commercial space to be activated.

¹¹ Illinois Department of Natural Resources (2023). The Impact of Historic Tax Credit Investment in Illinois.

¹² <https://www.hudexchange.info/programs/environmental-review/historic-preservation/tax-credit/>



In conversations with members of the Oklahoma State Historic Preservation Office, the project team heard case studies as diverse as redeveloping the Pachyderm Building at the Oklahoma City Zoo to how rural communities are converting historical properties into affordable housing for seniors. These outcomes not only preserve historic structures in Oklahoma, but also create new opportunity for Oklahomans to live, work, and play in their communities.



Incentive Usage and Administration



Incentive Characteristics

In 1992, as part of the Local Development Act, the Oklahoma Legislature introduced a tax credit for the rehabilitation of certified historic hotels and newspaper plants located in an increment or incentive district. Effective January 1, 2006, with the passage of HB 3024, credit eligibility was broadened to include the rehabilitation of any income-producing certified historic structure. The bill also allowed projects that qualify for the 20 percent federal credit to automatically qualify for the state credit (also 20 percent) without additional paperwork. All requirements with respect to qualifying for the federal credit are applicable. Unused state credits may be carried forward for 10 years and are transferrable for five years after qualification.

Historic Use of the Credit

The following table illustrates the State credit's usage between tax years 2014 and 2021 (the most recent tax year where OTC data is available). Related activity has slowed in recent years. The number of returns filed declined by a compound annual growth rate (CAGR) of -8.9 percent between 2014 and 2021, and the total amount claimed (unused credit carried forward plus credit established during the current tax year) declined by a CAGR of -5.5 percent during the same time period. However, the amount used to reduce tax liability (i.e., the amount of foregone revenue to the State) increased by a CAGR of 3.2 percent over the study period.

It should be noted that 2021 is the most recently available data, which is most critical because the largest single award the program has made occurred in 2022. The First National Bank and Trust Company Building has more than \$238 million in Qualified Rehabilitation Expenses – approaching 50 percent of the total over the study period. This will represent a significant credit, potentially \$47.6 million in total tax liability reduced.

Table 3: Historic Rehabilitation Tax Credit Usage, 2014-2021

Tax Year	Number of Returns	Unused Credit Carried Over from Prior Year(s)	Credit Established During Current Tax Year	Total Amount Claimed	Amount Used to Reduce Tax Liability
2014	115	\$6,630,719	\$9,229,931	\$15,877,567	\$6,661,109
2015	91	\$6,583,295	\$6,646,361	\$13,234,656	\$5,010,695
2016	99	\$5,565,703	\$7,387,028	\$12,977,413	\$7,501,543
2017	83	\$5,623,467	\$6,689,158	\$12,391,603	\$5,735,531
2018	58	\$4,715,128	\$1,847,739	\$6,562,867	\$1,920,099
2019	40	\$4,504,784	\$3,131,816	\$7,636,600	\$542,272
2020	66	\$1,787,654	\$5,961,967	\$7,749,621	\$1,693,850
2021	60	\$2,322,437	\$8,347,609	\$10,670,046	\$8,303,830

Source: Oklahoma Tax Commission

Note: According to SHPO representatives, if state credits are syndicated, the number of claimants may be more, less or different than the applicants to whom a Part 3 certification – discussed below – is issued.

Claims activity in other states without a program cap is varied. In Kansas, for example, the number of claimants between 2018 and 2022 decreased by a CAGR of 10.3 percent, and the amount of foregone revenue decreased by a CAGR of 23.9 percent.¹³ In New Mexico, however, the number of claimants between 2018 and 2021 increased by a CAGR of 7.2 percent, and the amount of foregone revenue

¹³ Kansas Department of Revenue, "Tax Expenditure Report," (Calendar Year 2018 and 2022). Available at <https://www.ksrevenue.org/pdf/taxexpreport18.pdf>



decreased by a CAGR of 2.5 percent.¹⁴ In Colorado from 2018 to 2022, both claims and foregone revenue increased by CAGRs of 23.3 percent and 12.2 percent, respectively.

A possible explanation for the decrease in use (at least in states that “piggyback” on the federal credit) is a recent change to the federal program. The Tax Cuts and Jobs Act (TCJA) modified the timing for claiming the 20 percent federal credit effective for taxable years beginning after 2017. Prior to the TCJA, the credit was claimed in the taxable year in which the certified historic building was placed in service after substantial rehabilitation. Under the new rules, the federal credit is claimed over a five-year period beginning with the taxable year in which the certified historic building is placed in service after substantial rehabilitation.

Another factor is the macroeconomic environment. Throughout the COVID-19 pandemic, prices for construction inputs skyrocketed, the labor market tightened considerably, and there was a lingering increase in the rate of inflation. As a side effect of the inflationary environment, the Federal Reserve has increased interest rates, which has a direct impact on the cost real estate project financing. All of this made real estate development more difficult and more expensive.

In Oklahoma, the aggregate total of revenue foregone between 2014 and 2021 was \$37.3 million. Total qualified expenditures associated with Oklahoma projects during the same years were \$686.4 million – more than 18 times this total.

Incentive Administration

To qualify for Oklahoma’s credit, projects must also qualify for the federal tax credit, which includes meeting the requirements established by both the Internal Revenue Service and the U.S. Department of the Interior. SHPO serves as the initial point of contact for applicants, and it participates in the determination that a building is a “certified historic structure” and the review of rehabilitation work. The federal NPS is responsible for certifying historic structures and rehabilitation work. The OTC addresses taxpayer questions regarding state tax returns, state statutes and OTC rules for using the state tax credits.

A three-part application is required to qualify for the federal – and state – tax credits:¹⁵

- **Part 1: Evaluation of Significance:** Presents information about the significance and appearance of the building.
- **Part 2: Description of Rehabilitation:** Describes the condition of the building and the planned rehabilitation work. Proposed work is evaluated based upon the Secretary of the Interior’s *Standards for Rehabilitation*, a set of 10 rules of practice.
- **Part 3: Request for Certification of Completed Work:** Submitted after the project is complete; documents that the work was completed as proposed. NPS approval of the part three application certifies that the project meets the *Standards* and is a “certified rehabilitation.”

¹⁴ New Mexico Taxation and Revenue Department, “New Mexico Tax Expenditure Report,” (2018). Available at <https://s3.amazonaws.com/realFile34821a95-73ca-43e7-b06d-fad20f5183fd/1dd9b13e-56b4-4c6d-aadd-2884c70b865c?response-content-disposition=filename%3D%222018+NMTRD+Tax+Expenditure+Report.pdf%22&response-content-type=application%2Fpdf&AWSAccessKeyId=AKIAJBI25DHBYGD717TA&Signature=yJch%2F3dhW14GcyeT9CCHIcHPwM0%3D&Expires=1601046195>

¹⁵ However, historic preservation easements and the 10 percent credit use only Part 1 of the application.



Once the NPS issues an approved part three application, SHPO is no longer involved in the process. A copy of the signed part three application from the NPS is submitted to the OTC when the applicant claims the credit.

According to SHPO representatives, Oklahoma has no separate application or review process until the part three application is approved and a taxpayer is ready to claim the Oklahoma credits. A formal request to the OTC yields the tax credit certificate. Key pieces of this request are the approved part three application and a cost certification. The cost certification provides a level of oversight and comfort for State elected officials and their “budget minders.”¹⁶

Effective Administration

According to the National Trust for Historic Preservation, the best-performing state-level historic tax credits – the ones that help rehabilitate the most buildings and attract the most private investment – do the following:¹⁷

- Generally follow the framework of the federal credit;
- Are easily transferrable, which is critical to creating value;
- Predictable, which makes project financing easier;
- Tailored to address state priorities;
- Set at a percentage of qualifying expenses that ensures optimal performance.

Relating to these principles, Oklahoma’s program follows the framework of the federal credit and is transferrable. Due to its alignment with the federal credit, it is predictable, but it is not tailored to address state priorities. According to the National Trust for Historic Preservation, a credit in the range of 20 to 30 percent of qualified rehabilitation expenditures is generally high enough to constitute a “meaningful” incentive – and Oklahoma’s program is within that range.

Repeat Utilization of the Incentive

In conversation with SHPO representatives, it was discussed that there are multiple properties where the HTC has been used more than once. These include the following properties:

- Vesper Building (Oklahoma City): Certified in 2004, 2012
- Berryhill Building (Sapulpa): Certified in 2001, 2017
- Will Rogers Hotel (Claremore): Certified in 1998, 2018
- Aldridge Hotel (McAlester): Certified in 1998, 2018

Repeat users of the program could be an increasing phenomenon for obvious reasons – properties tend to remain on the historic register once included and buildings continue to age over time.

Incentive Design Best Practices

The HTC has several best practice elements in its design.¹⁸ First it is targeted – the alignment with the Federal credit defines a small but significant slice of economic activity that benefits from incentive offerings. The HTC leverages significant private investment that has totaled more than \$1 billion over its lifetime. The changes in Federal tax law have changed the benefit timing, which has likely contributed to

¹⁶ Rosin Preservation, “In the Know: Oklahoma,” (April 2017). Available at <https://rosinpreservation.com/oklahoma/>

¹⁷ National Trust for Historic Preservation, “State Historic Tax Credits: Maximizing Preservation, Community Revitalization and Economic Impact,” (November 2018). Available at https://forum.savingplaces.org/viewdocument/report-on-state-historic-tax-credit?_ga=2.190952686.519120685.1596036305-164044860.1593543237

¹⁸ Additional detail on best practices can be found in Appendix D.



reduced utilization. However, this is obviously out of the State's control. Additionally, the program has an annual cap, though the State does not meet this cap. Finally, it is exceedingly easy to explain and administer the program.



Economic and Fiscal Impact



Economic Impact

To determine the economic impacts of the program, the project team utilized qualified rehabilitation expenditures each year dating back to FY14 through partial results in FY24. This data has been categorized according to the relevant industry categories in IMPLAN – in this case construction of residential structures (labeled as “Housing”) and all other commercial construction (labeled as “All Other”).¹⁹ In total, the more than \$835 million in QREs between 2014 and 2024 totaled more than \$1.5 billion in total economic impacts.

Table 4: Economic Impact Analysis by year

Year		Output	Value Added	Labor Income	Employment
2014	Direct Effect	\$45,094,393	\$22,390,647	\$21,495,913	338
	Indirect Effect	\$16,138,196	\$7,795,306	\$5,161,883	78
	Induced Effect	\$16,703,698	\$9,308,990	\$5,183,820	111
	Total Effect	\$77,936,287	\$39,494,943	\$31,841,616	528
2015	Direct Effect	\$71,958,881	\$37,533,001	\$36,059,073	581
	Indirect Effect	\$24,589,401	\$11,722,737	\$8,126,265	114
	Induced Effect	\$29,325,390	\$16,338,443	\$9,107,029	196
	Total Effect	\$125,873,671	\$65,594,181	\$53,292,367	891
2016	Direct Effect	\$122,667,485	\$58,362,289	\$54,380,801	953
	Indirect Effect	\$49,027,273	\$23,138,245	\$15,377,740	239
	Induced Effect	\$50,860,224	\$27,887,913	\$15,490,431	341
	Total Effect	\$222,554,982	\$109,388,447	\$85,248,973	1,533
2017	Direct Effect	\$42,560,717	\$15,884,940	\$13,188,303	235
	Indirect Effect	\$22,736,820	\$11,215,016	\$7,254,002	120
	Induced Effect	\$14,492,846	\$7,841,058	\$4,349,365	97
	Total Effect	\$79,790,383	\$34,941,015	\$24,791,671	452
2018	Direct Effect	\$40,398,808	\$18,680,840	\$16,189,773	285
	Indirect Effect	\$16,325,054	\$7,628,151	\$5,207,144	79
	Induced Effect	\$14,797,460	\$7,964,968	\$4,407,938	95
	Total Effect	\$71,521,322	\$34,273,959	\$25,804,855	459
2019	Direct Effect	\$76,335,464	\$28,566,310	\$22,467,885	386
	Indirect Effect	\$42,041,566	\$20,241,420	\$12,681,520	216
	Induced Effect	\$25,232,564	\$13,497,323	\$7,423,037	160
	Total Effect	\$143,609,593	\$62,305,054	\$42,572,442	763
2020	Direct Effect	\$64,546,238	\$27,894,464	\$25,431,831	480
	Indirect Effect	\$27,906,287	\$13,450,153	\$8,569,398	136
	Induced Effect	\$22,351,714	\$12,121,954	\$6,863,553	142
	Total Effect	\$114,804,239	\$53,466,572	\$40,864,782	758

¹⁹ A full explanation of IMPLAN and the associated methodology can be found in the Appendix.



Year		Output	Value Added	Labor Income	Employment
2021	Direct Effect	\$91,053,825	\$29,329,386	\$21,693,619	389
	Indirect Effect	\$56,005,371	\$27,714,712	\$16,036,462	274
	Induced Effect	\$27,450,359	\$14,793,235	\$8,075,277	164
	Total Effect	\$174,509,555	\$71,837,332	\$45,805,358	827
2022	Direct Effect	\$252,933,077	\$129,415,443	\$126,234,295	2,370
	Indirect Effect	\$120,139,769	\$64,625,045	\$34,185,373	677
	Induced Effect	\$94,542,195	\$41,121,359	\$24,181,939	360
	Total Effect	\$467,615,041	\$235,161,847	\$184,601,607	3,406
2023	Direct Effect	\$21,048,789	\$10,537,199	\$10,161,912	191
	Indirect Effect	\$9,804,307	\$5,273,873	\$2,789,787	55
	Induced Effect	\$8,223,940	\$3,614,343	\$2,117,758	32
	Total Effect	\$39,077,036	\$19,425,415	\$15,069,457	278
2024	Direct Effect	\$6,477,419	\$3,314,229	\$3,232,762	61
	Indirect Effect	\$3,076,686	\$1,654,997	\$875,461	17
	Induced Effect	\$2,421,152	\$1,053,086	\$619,281	9
	Total Effect	\$11,975,257	\$6,022,312	\$4,727,503	87
Total	Direct Effect	\$835,075,096	\$381,908,749	\$350,536,167	6,269
	Indirect Effect	\$359,957,254	\$168,694,528	\$105,333,392	1,657
	Induced Effect	\$334,235,016	\$181,307,800	\$98,751,071	2,057
	Total Effect	\$1,529,267,366	\$731,911,077	\$554,620,630	9,983

The total number of direct jobs created is estimated to be about 908 per year. Construction expenditures require jobs to be annualized, as jobs are created at the beginning of a project, then the job is “lost” at the end of the project. The total of more than 9,900 jobs created is an inflated figure, while the average figure (908 jobs) multiplied by the ten-year study period is closer to 9,000 total jobs.

Value Added in the IMPLAN vocabulary can be thought of as contribution to Gross Domestic Product (GDP) at the state level. In the case of the HTC program, there has been a contribution of more than \$731 million to GDP from 2014 to 2024. The average return on \$1.00 of investment (forgone revenue) is about \$59.00 (in Total Effect). The economic impact of the program can be said to be very positive. This does not include additional “halo” effects of historic rehabilitation projects, which include increasing property values and thus property tax revenues in the immediate proximity. This is discussed further in a later section.

Fiscal Impacts

Over the study period, the total foregone revenue to the State totals \$56.5 million. The IMPLAN estimate of revenue generated by the QREs totals \$27.8 million. The total net loss of tax revenue from 2014 to 2021 (the most recent full year available) was \$20.8 million. The program can be said to have a negative fiscal impact in terms of state tax revenues.



Table 5 Fiscal Impacts and Ratios

Year	Estimated OK Tax Revenue	Reduction in Tax Liability	Net Tax Revenues	Ratio: Revenue/Rebate
2014	\$1,577,086	\$6,661,109	(\$5,084,023)	\$0.24
2015	\$2,519,827	\$5,010,695	(\$2,490,868)	\$0.50
2016	\$4,039,655	\$7,501,543	(\$3,461,888)	\$0.54
2017	\$1,842,789	\$5,735,531	(\$3,892,742)	\$0.32
2018	\$1,321,522	\$1,920,099	(\$598,577)	\$0.69
2019	\$2,892,994	\$542,272	\$2,350,722	\$5.33
2020	\$916,610	\$1,693,850	(\$777,240)	\$0.54
2021	\$1,446,652	\$8,303,830	(\$6,857,178)	\$0.17
2022	\$10,138,535	\$6,661,109	TBD	TBD
2023	\$848,730	\$5,010,695	TBD	TBD
2024	\$259,640	\$7,501,543	TBD	TBD
Total	\$27,804,040	\$56,542,276	(\$20,811,794)	

Other Quantifiable Impacts

There are several other benefits to the State economy. In Virginia, a preservation advocacy group conducted a study on a subset of projects receiving rehabilitation of historic properties tax credits. Assessed values of those properties increased by \$194.6 million.²⁰ A study in Wisconsin found that the cumulative property tax assessment value of the projects in its Historic Tax Credit program increased 607 percent and increased state and local taxes on these projects by 84 percent.²¹ Ohio found its taxes on Historic Property Tax Credit parcels increased 355 percent, with adjacent and “radial” properties increasing 55 and 30 percent, respectively.²² Oklahoma has a unique tax structure and economy from these states, but it is clear there is a consistent, directional increase in both the assessed value of historic properties receiving the credit and a powerful secondary effect on nearby properties. When considering the scale of the State program, which awarded more than 600 credits since 2014, the number of positively impacted properties and communities is significant.

²⁰ Virginia Historic Rehabilitation Tax Credits; WV University. The Economic Impact of Historic Rehabilitation in West Virginia.

²¹ https://www.wisconsinhistory.org/pdfs/hp/WI-HTC-2017_report_pages.pdf

²² <https://development.ohio.gov/static/community/redevelopment/2015OHPTCComprehensiveReport.pdf>



Incentive Benchmarking



Benchmarking

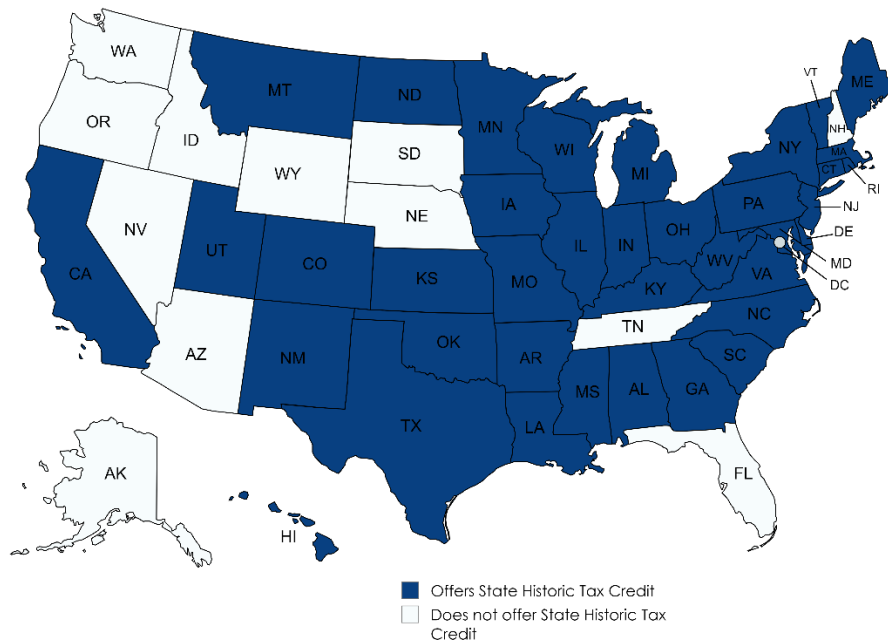
A detailed description of comparable state programs can be found in **Appendix C**.

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are ‘perfect peers’ – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.²³ These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

The process of creating a comparison group for incentives typically begins with bordering states. This is generally the starting point, because proximity often leads states to compete for the same regional businesses or business/industry investments. Second, neighboring states often (but not always) have similar economic, demographic or political structures that lend themselves to comparison.

As referenced previously, New Mexico was the first state to enact a historic rehabilitation tax credit in 1984 and, over time, more states added their own programs. As of 2024, 37 states – illustrated in the following map – offer credits.²⁴

Figure 3: States with Historic Rehabilitation Tax Credits



Source: National Trust for Historic Preservation

²³ The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.

²⁴ National Trust for Historic Preservation, “Preservation and State Historic Tax Credits,” (2020). Available at <https://forum.savingplaces.org/learn/fundamentals/economics/tax-credits/state-htc>



According to the National Trust for Historic Preservation, all state historic rehabilitation tax credits provide a dollar-for-dollar reduction in tax liability and include the following elements:²⁵

- Criteria that establishes which buildings qualify to receive the credits;
- Preservation standards that ensure the preservation of a building’s historic character;
- A method for calculating the value of qualified rehabilitation expenditures;
- A minimum amount of investment required;
- An approval process that starts with the state historic preservation office.

Despite these commonalities, significant variation exists in how these programs are structured from state to state, including:

- The amount of the credit;
- Whether additional credits are provided for non-income producing properties;
- The minimum investment required;
- The annual cap;
- The per-project cap;
- Whether the credits are transferrable and/or refundable.

These variations are summarized in the following table.

Table 4: Summary of State Program Provisions

Program Component	Oklahoma	Summary of Peer State Provisions
Credit Amount for Income-Producing Properties	20 percent.	Credit amounts range from 5 percent in Montana to 50 percent in New Mexico; the average credit is 23 percent.
Additional Credits for Non-Income-Producing Properties	None.	Many states provide additional credits, most commonly for homeowners (23 states) and affordable housing (6 states); examples of other credits include those for nonprofits (2 states) barns and/or mills (2 states) and projects based in a specific location (2 states).
Minimum Investment Requirements	\$5,000.	Dollar threshold ranges from \$5,000 (Oklahoma, Delaware, Georgia, Kansas, Texas, Vermont) to \$50,000 in Wisconsin; average is \$14,167. Alternatively, many states base the minimum investment required on a percentage of the assessed value or adjusted basis of the property. Still other states use a multi-factor threshold (e.g., greater of a given dollar value or percentage of the adjusted basis).
Aggregate Annual Caps	None.	20 of 37 states cap the total amount spent on their programs each year. Among those that do, the range is from \$250,000 (Indiana) to \$90 million (Missouri).
Per-Project Caps	None.	20 of 37 states have annual per-project caps in place. Among those that do, the range is from \$250,000 (North Dakota) to

²⁵ National Trust for Historic Preservation, “State Historic Tax Credits: Maximizing Preservation, Community Revitalization and Economic Impact,” (November 2018). Available at https://forum.savingplaces.org/viewdocument/report-on-state-historic-tax-credit?_ga=2.190952686.519120685.1596036305-164044860.1593543237



Program Component	Oklahoma	Summary of Peer State Provisions
		\$10 million (West Virginia; also applies to Georgia if the project meets certain job creation requirements).
Transferable?	Yes.	22 of 37 states have transferable credits; credits in 15 states are non-transferable.
Refundable?	No.	11 of 37 states have refundable credits; credits in 26 states are non-refundable.

Peer State and Other Program Evaluations

Tax Incentive Evaluation: Georgia’s Historic Rehabilitation Tax Credit (2022)

Based on the most recent evaluation available, Georgia’s Historic Rehabilitation Tax Credit (HRTC) reduced state income tax revenues by about \$20 million in FY2023. Qualified Rehabilitation Expenditures were approximately \$212 million, and the estimated foregone revenue associated with this was about \$29 million. In an effort to estimate the effectiveness of the incentive (on a “but for” basis), the State looked at Federal Historic Rehabilitation Tax Credit projects in Florida and Tennessee, where there are no state HTC programs. The analysis found that Georgia did have more significantly more income-producing historic rehabilitation investments.²⁶

Iowa’s Historic Preservation Tax Credit Tax Credits Program Evaluation Study (2019)

In 2019, the State of Iowa evaluated the full history of its HTC program. Between 2001 and 2019, the state awarded 1,045 projects with total reserved credits equaling \$475.7 million. In 2019, the state awarded 41 projects with a total of \$23.7 million. Iowa’s is a transferable tax credit, and the State estimated that 54.5 percent of all awards were transferred (about \$219 million).²⁷

Pennsylvania Historic Preservation Tax Credit: An Evaluation of Program Performance (2019)

Pennsylvania recently expanded its HTC to a \$20 million cap. In 2019 when the most recent evaluation was conducted, the cap was \$3 million. In FY2018, Pennsylvania approved 21 projects, requesting \$7.4 million of credits (\$3 million were awarded due to the cap). The estimated qualified rehabilitation expenses associated with the program was \$257.7 million – larger than the Georgia program.²⁸

²⁶ “Tax Incentive Evaluation: Georgia’s Historic Rehabilitation Tax Credit.” Fiscal Research Center, Andrew Young School, Georgia State University. November 2022. Accessed online via: <https://documents.ncsl.org/wwwncsl/Fiscal/evaluationDB/TaxIncentiveEvaluationGeorgiasHistoricRehabilitationTaxCredit.pdf>

²⁷ “Iowa’s Historic Preservation Tax Credit.” Jin, Zhong; Tax Research and Program Analysis Section, Iowa Department of Revenue. December 2019.

²⁸ “Pennsylvania Historic Preservation Tax Credit: An Evaluation of Program Performance.” Independent Fiscal Office, Commonwealth of Pennsylvania. January 2019.



Appendices



Appendix A: Program Statute

§68-2357.41. Tax credit for qualified rehabilitation expenditures - Certified historic structures.

A. Except as otherwise provided by subsection I of this section, for tax years beginning after December 31, 2000, there shall be allowed a credit against the tax imposed by Sections 2355 and 2370 of this title or that portion of the tax imposed by Section 624 or 628 of Title 36 of the Oklahoma Statutes that would otherwise have been apportioned to the General Revenue Fund for qualified rehabilitation expenditures incurred in connection with any certified historic hotel or historic newspaper plant building located in an increment or incentive district created pursuant to the Local Development Act or for qualified rehabilitation expenditures incurred after January 1, 2006, in connection with any certified historic structure.

B. The amount of the credit shall be one hundred percent (100%) of the federal rehabilitation credit provided for in Section 47 of Title 26 of the United States Code. The credit authorized by this section may be claimed at any time after the relevant local governmental body responsible for doing so issues a certificate of occupancy or other document that is a precondition for the applicable use of the building or structure that is the basis upon which the credit authorized by this section is claimed.

C. All requirements with respect to qualification for the credit authorized by Section 47 of Title 26 of the United States Code shall be applicable to the credit authorized by this section.

D. If the credit allowed pursuant to this section exceeds the amount of income taxes due or if there are no state income taxes due on the income of the taxpayer, the amount of the credit allowed but not used in any taxable year may be carried forward as a credit against subsequent income tax liability for a period not exceeding ten (10) years following the qualified expenditures.

E. All rehabilitation work to which the credit may be applied shall be reviewed by the State Historic Preservation Office which will in turn forward the information to the National Park Service for certification in accordance with 36 C.F.R., Part 67. A certified historic structure may be rehabilitated for any lawful use or uses, including without limitation mixed uses and still retain eligibility for the credit provided for in this section.

F. The amount of the credit allowed for any credit claimed for a certified historic hotel or historic newspaper plant building or any certified historic structure, but not used, shall be freely transferable, in whole or in part, to subsequent transferees at any time during the five (5) years following the year of qualification. Any person to whom or to which a tax credit is transferred shall have only such rights to claim and use the credit under the terms that would have applied to the entity by whom or by which the tax credit was transferred. The provisions of this subsection shall not limit the ability of a tax credit transferee to reduce the tax liability of the transferee regardless of the actual tax liability of the tax credit transferor for the relevant taxable period. The transferor of the credit and the transferee shall jointly file a copy of the written credit transfer agreement with the Oklahoma Tax Commission within thirty (30) days of the transfer. Such filing of the written credit transfer agreement with the Oklahoma Tax Commission shall perfect such transfer. The written agreement shall contain the name, address and taxpayer identification number of the parties to the transfer, the amount of credit being transferred, the year the credit was originally allowed to the transferor, the tax year or years for which the credit may be claimed, and a representation by the transferor that the transferor has neither claimed for its own behalf nor conveyed such credits to any other transferee. The Tax Commission shall develop a standard form for use by subsequent transferees of the credit demonstrating eligibility for the transferee to reduce its applicable tax liabilities resulting from ownership of the credit. The Tax Commission shall develop a system to record and track the transfers of the credit and certify the ownership of the credit and may promulgate rules to permit verification of the validity and timeliness of a tax credit claimed upon a tax return pursuant to this subsection but shall not promulgate any rules which unduly restrict or hinder the transfers of such tax credit.



G. Notwithstanding any other provisions in this section, on or after January 1, 2009, if a credit allowed pursuant to this section which has been transferred is subsequently reduced as the result of an adjustment by the Internal Revenue Service, Tax Commission, or any other applicable government agency, only the transferor originally allowed the credit and not any subsequent transferee of the credit, shall be held liable to repay any amount of disallowed credit.

H. As used in this section:

1. "Certified historic hotel or historic newspaper plant building" means a hotel or newspaper plant building that is listed on the National Register of Historic Places within thirty (30) months of taking the credit pursuant to this section.
2. "Certified historic structure" means a building that is listed on the National Register of Historic Places within thirty (30) months of taking the credit pursuant to this section or a building located in Oklahoma which is certified by the State Historic Preservation Office as contributing to the historic significance of a certified historic district listed on the National Register of Historic Places, or a local district that has been certified by the State Historic Preservation Office as eligible for listing in the National Register of Historic Places; and
3. "Qualified rehabilitation expenditures" means capital expenditures that qualify for the federal rehabilitation credit provided in Section 47 of Title 26 of the United States Code and that were paid after December 31, 2000. Qualified rehabilitation expenditures do not include capital expenditures for nonhistoric additions except an addition that is required by state or federal regulations that relate to safety or accessibility. In addition, qualified rehabilitation expenditures do not include expenditures related to the cost of acquisition of the property.

I. No credit otherwise authorized by the provisions of this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2010, for which the credit would otherwise be allowable until the provisions of this subsection shall cease to be operative on July 1, 2012. Beginning July 1, 2012, the credit authorized by this section may be claimed for any event, transaction, investment, expenditure or other act occurring on or after July 1, 2010, according to the provisions of this section. Any tax credits which accrue during the period of July 1, 2010, through June 30, 2012, may not be claimed for any period prior to the taxable year beginning January 1, 2012. No credits which accrue during the period of July 1, 2010, through June 30, 2012, may be used to file an amended tax return for any taxable year prior to the taxable year beginning January 1, 2012.

Added by Laws 2000, c. 351, § 8, emerg. eff. June 6, 2000. Amended by Laws 2001, c. 382, § 4, eff. Jan. 1, 2002; Laws 2003, c. 186, § 2, eff. Nov. 1, 2003; Laws 2005, c. 413, § 6, eff. July 1, 2005; Laws 2006, c. 272, § 15; Laws 2008, c. 436, § 4, eff. Jan. 1, 2009; Laws 2010, c. 327, § 14, eff. July 1, 2010; Laws 2010, c. 418, § 5, emerg. eff. June 10, 2010.

NOTE: Editorially renumbered from Title 68, § 2357.34 to avoid duplication in numbering.



Appendix B: IMPLAN Economic Impact Methodology

The economic impact methodology utilized to determine the multiplier effects is IMPLAN (Impact Analysis for PLANning), a proprietary model; PFM has obtained a license for use of the IMPLAN model for these evaluations.

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Multipliers

SAMs can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region-specific SAMs, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy.

- **Direct** effects are determined by the Event as defined by the user (i.e., a \$10 million order is a \$10 million direct effect).
- The **indirect** effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes.
- Finally, the **induced** effect measures the money that is re-spent in the study area as a result of spending from the indirect effect.

Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.

Fiscal Impacts

The IMPLAN tax report captures all tax revenue in the study area, across all levels of government that exist in that study area, for the specific industries and institutions affected by an event or group of events. Tax Impact results are based on the collected and reported taxes within the region for the given data year. IMPLAN taxes shown (and collected) are industry and geographically specific. The IMPLAN tax impact report splits the tax impacts into the various tax categories based on the picture of that region's economy. But, there is no industry-specific profile for taxes paid by tax category, so the distribution across tax categories is an all-industry average. While this is a limitation of the IMPLAN fiscal reporting, the IMPLAN tax report serves as an appropriate measure of jurisdictional tax results in the aggregate. Tax results cannot be added to any summary or detailed results as they are already included as a portion of Output. State taxes do not include taxes or district assessments levied by Federal, county, sub-county, city or township governments.



Appendix C: Comparable State Programs

State	Effective Year	Credit % for Income-Producing Properties	Additional Credits	Minimum Investment	Annual Aggregate Cap	Annual Per-Project Cap	Transferrable	Allocation by Partnership Agreement	Refundable
Oklahoma	2009	20%	None	Greater of \$5,000 or adjusted basis	None	None	Yes	No	No
Arkansas	2009	25%	25% homeowners	\$25,000	\$4M	\$400K	Yes	Yes	No
Colorado	2018	25% for \$2M QRE; 20% for \$2M+ QRE	30% disasters; 35% in rural communities; 20% homeowners	25% of adjusted basis; in 2020, flat \$20,000	\$10M	\$1M	Yes	Yes	No
Kansas	2001	25%	25% homeowners; 30% for nonprofits	\$5,000	None	None	Yes	Yes	No
Missouri	1998	25%	25% homeowners	50% of total basis of the property	\$90M; additional \$30M in areas of high poverty; small projects uncapped	None	Yes	Yes	No
New Mexico	1984	50%	50% homeowners		None	\$25K; \$50K inside		Yes	



State	Effective Year	Credit % for Income-Producing Properties	Additional Credits	Minimum Investment	Annual Aggregate Cap	Annual Per-Project Cap	Transferrable	Allocation by Partnership Agreement	Refundable
						Arts/Cult. Dist.			
Texas	2015	25%		\$5,000	None	None	Yes	Yes	
Alabama	2018	25%	25% homeowners	Greater of 50% of purchase price or \$25,000	\$20M	\$5M	Yes		Yes
California	2021	20%	25% for projects located on federal surplus property, affordable housing, in designated census tracts; part of a military base reuse authority; or are transit-oriented developments		\$50M, with \$2M set aside for residences and \$8M set aside for small projects	\$5,000 - \$25,000		Yes	
Connecticut	2007	25%	30% affordable housing; 30% homeowners	25% of assessed building value	\$31.7M	\$4M	Yes	Yes	
Delaware	2002	20%	30% affordable housing &	Greater of \$5,000 or	\$5M	None	Yes	Yes	



State	Effective Year	Credit % for Income-Producing Properties	Additional Credits	Minimum Investment	Annual Aggregate Cap	Annual Per-Project Cap	Transferrable	Allocation by Partnership Agreement	Refundable
			nonprofits; 30% homeowners	adjusted basis					
Georgia	2002	25%	30% residence in HUD areas; 25% homeowners	Greater of \$5,000 or adjusted basis	No cap under \$300k credits / \$25m	\$5M; \$10M if meets job creation tests	Yes	Yes	
Hawaii	2020	30%			\$1M	None		Yes	Yes
Illinois	2019	25%		Greater of \$5,000 or adjusted basis	\$15M	\$3M		Yes	
Indiana	2002		20% homeowners		\$250,000	None			
Iowa	2000	25%	25% homeowners	Lesser of 50% of the assessed value or \$50,000	\$45M	None	Yes	Yes	Yes
Kentucky	2005	Up to 20%	30% homeowners	Greater of \$20,000 or adjusted basis	\$5M	\$400,000	Yes	Yes for non-taxed entities	Yes
Louisiana	2002	20%		\$10,000	None	\$5M per taxpayer, per year	Yes		



State	Effective Year	Credit % for Income-Producing Properties	Additional Credits	Minimum Investment	Annual Aggregate Cap	Annual Per-Project Cap	Transferrable	Allocation by Partnership Agreement	Refundable
Maine	2008	25%	30% for affordable housing	Same as federal HTC; \$50K if fed HTC not claimed	None	\$5M per building per year		Yes	Yes
Maryland	2004	20%	20% homeowners; 30% LEED gold; 30% affordable housing	Greater of adjusted basis or \$25,000	\$9M	\$3M		Yes	Yes
Massachusetts	2005	Up to 20%	25% affordable housing	25% of adjusted basis	\$55M	None	Yes	Yes	
Michigan	2020	25%		10% of property value for commercial; \$1,000 for homeowners	\$5m	None	Yes	Yes	
Minnesota	2010; reinstate 2023	20%		Greater of \$5,000 or adjusted basis	None	None	Yes	Yes	Yes
Mississippi	2016	25%	25% homeowners	50% of the total basis	\$12M	None		Yes but not also with refund	75% can be refunded
Montana	1997	5%		Greater of \$5,000 or	None	None			



State	Effective Year	Credit % for Income-Producing Properties	Additional Credits	Minimum Investment	Annual Aggregate Cap	Annual Per-Project Cap	Transferrable	Allocation by Partnership Agreement	Refundable
				adjusted basis					
New York	2007	20%	20% homeowners; 25% for barns	Greater of \$5,000 or adjusted basis	None	\$5M			Yes
North Carolina	2016	15% for up to \$10M QRE; 10% for	Add 5% in target areas or sites;	Greater of \$5,000 or adjusted basis	None	\$4.5M		Yes when 40% allocated to owner	
North Dakota	1999	25% for projects in Renaissance Zones	25% homeowners	50% of building value	None	\$250,000			
Ohio	2007	25%	25% homeowners		\$60M	\$5M		Yes	Yes
Pennsylvania	2013	25%		Greater of \$5,000 or adjusted basis	\$20M	\$500,000	Yes		
Rhode Island	2002	20%	25% if 1/4 of space for business	Adjusted basis of the building	Awaiting re-authorization	\$5M	Yes	Yes	Yes for tax exempt entities
South Carolina	2003	10%; 25% if no federal HTC	25% mills; 25% homeowners		None	None	Yes for mills	Yes for 10%; yes for pass through	



State	Effective Year	Credit % for Income-Producing Properties	Additional Credits	Minimum Investment	Annual Aggregate Cap	Annual Per-Project Cap	Transferrable	Allocation by Partnership Agreement	Refundable
								entities on mills	
Utah	1993		20% for rental residential	\$10,000	None	None			
Vermont	1998	10% downtown; 25% façade and 50% code improvements		\$5,000	\$2.4M	None	Yes		
Virginia	1997	25%	25% homeowners	at least 50% of the assessed value	None	None		Yes	
West Virginia	2018	25%	20% homeowners	\$5,000 or adjusted basis	\$30M	\$10M	Yes	Yes	
Wisconsin	2013	20%	25% homeowners (1989)	\$50,000	None	\$3.5M	Yes	Yes	

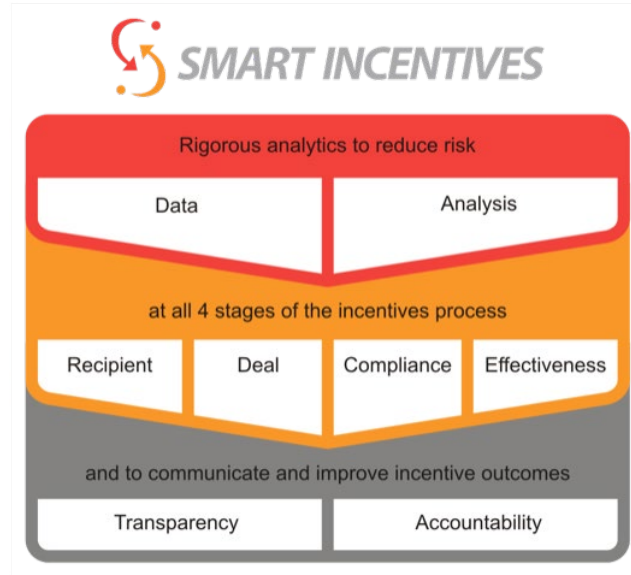
Source: National Trust for Historic Preservation



Appendix D: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,²⁹ it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.
2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and

²⁹ Three resources in particular were relied upon on putting together the list of best practices. They are “What Factors Influence the Effectiveness of Business Incentives?” The Pew Charitable Trusts, April 4, 2019, accessed electronically at <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives>; “Improving Economic Development Incentives,” Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs; “Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development,” Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf



enables the state to reject applications that do not meet its standards.

3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.
4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.
5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.
6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.
7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.
8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.
9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.
10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.