

Historic Preservation and Cultural and Entertainment District Tax Credit

Tax Expenditure Committee – December 3, 2014

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Outline

- ▶ Review the Iowa Historic Preservation Tax Credit program
- ▶ Compare Federal tax incentive program and other states' tax credit programs
- ▶ Present award and claim data
- ▶ Summarize statistics collected from the Historic Preservation Tax Credit Survey
- ▶ Economic impact analysis

Iowa Historic Preservation and Cultural and Entertainment District Tax Credit

- ▶ Started in 2001, most recent change passed in 2014
- ▶ Tax credit equals 25% of qualified rehabilitation expenditures for the preservation of historic properties located in Iowa
- ▶ Annual award cap has increased from \$2.4 million to \$45 million today
- ▶ Pre-2014, applicants received a tax credit reservation at the time of application and an award once the work was completed
- ▶ Fully refundable and transferable

Federal Historic Preservation Tax Incentive Program

- ▶ Created in 1976
- ▶ Administered by the Department of Interior and IRS
- ▶ Federal program offers a tax credit equal to 20% of project costs for the qualified rehabilitation of historic buildings for income-producing uses
- ▶ In FY 2013 1,155 projects were determined to be eligible for the federal tax credit, including 49 from Iowa

Other State Historic Preservation Tax Incentive Programs

- ▶ Including Iowa, 34 states have similar tax credit programs, with tax credit rates ranging from 5 percent to 50 percent
- ▶ 17 states match Iowa's 25% tax credit
- ▶ Fourteen states, including Iowa, have transferable credits
- ▶ Eight states, including Iowa, have refundable credits
- ▶ Among Iowa's neighbors, Illinois, Minnesota, Missouri, and Wisconsin offer tax credits

Historic Preservation Tax Credit Awards by Reservation Year

▶ **292 Projects**

- Many receive multiple awards

▶ **\$196 million Total Awards**

▶ **\$671,000 Average Award**

Reserved Year	Number of Awards	Total Awards	Average Award	Percentage of Total Awards to Total Reserved Tax Credits
2001	18	\$2,400,001	\$133,333	100.0%
2002	14	\$2,399,999	\$171,429	100.0%
2003	8	\$2,400,000	\$300,000	100.0%
2004	5	\$2,400,000	\$480,000	100.0%
2005	7	\$2,325,000	\$332,143	100.0%
2006	16	\$6,400,000	\$400,000	100.0%
2007	18	\$6,400,000	\$355,556	100.0%
2008	23	\$9,800,000	\$426,087	98.0%
2009	47	\$14,966,069	\$318,427	100.0%
2010	100	\$41,534,369	\$415,344	87.4%
2011	143	\$38,053,751	\$266,110	77.5%
2012	33	\$14,619,355	\$443,011	31.1%
2013	34	\$31,142,038	\$915,942	77.4%
2014	42	\$12,444,241	\$296,291	28.9%
2015	17	\$4,404,836	\$259,108	11.5%
2016	15	\$4,456,619	\$297,108	13.1%
Total	540	\$196,146,277		56.2%

Source: Iowa Department of Cultural Affairs

Historic Preservation Tax Credit Awards by County

County	Number of Projects	Total Awards	Share of Total Awards	Average Award
POLK	50	\$46,921,686	23.9%	\$938,434
DUBUQUE	33	\$42,072,935	21.4%	\$1,274,937
SCOTT	39	\$34,655,629	17.7%	\$888,606
LINN	34	\$17,515,016	8.9%	\$515,148
WOODBURY	7	\$11,186,564	5.7%	\$1,598,081
BLACK HAWK	13	\$6,370,381	3.2%	\$490,029
CERRO GORDO	7	\$5,170,554	2.6%	\$738,651
POTTAWATTAMIE	7	\$3,569,234	1.8%	\$509,891
WEBSTER	2	\$3,520,776	1.8%	\$1,760,388
MAHASKA	5	\$2,749,753	1.4%	\$549,951
Other Counties	95	\$22,413,750	11.4%	\$235,934
Total	292	\$196,146,277	100.0%	\$671,734

Source: Iowa Department of Cultural Affairs

Historic Preservation Tax Credit Transfers by Tax Type, 2007–2014

- ▶ Transfers administered by IDR beginning in 2007
- ▶ 53.1% of awards made since 2007 have been transferred

Type	Number of Transfers	Amount	Share by Tax Type
Corporation Income Tax	46	\$27,177,835	26.1%
Franchise Tax	86	\$37,379,103	35.9%
Individual Income Tax	87	\$24,185,469	23.2%
Insurance Premium Tax	42	\$15,458,956	14.8%
Total	261	\$104,201,363	100.0%

Source: IDR Transferred Tax Credit Data

Historic Preservation Tax Credit Claims and Refunds by Tax Year

Tax Year	Number of Claims	Total Claims	Average Claim	Refunds	Share of Claims
2006 and Before	29	\$4,871,996	\$168,000		
2007	32	\$5,264,710	\$164,522	\$1,341,346	25.5%
2008	57	\$14,932,856	\$261,980	\$6,566,870	44.0%
2009	64	\$8,926,769	\$139,481	\$6,020,619	67.4%
2010	114	\$33,826,439	\$296,723	\$28,617,854	84.6%
2011	103	\$23,810,995	\$231,175	\$23,315,522	97.9%
2012	99	\$38,281,273	\$386,680	\$35,754,621	93.4%
2013	44	\$4,321,516	\$98,216	\$4,152,929	96.1%
Total	542	\$134,236,554		\$105,769,761	78.8%

Source: Iowa Department of Revenue Tax Returns

Note: Claim data in 2012 and 2013 are still incomplete. Claim data in 2005 is limited.

Historic Preservation Tax Credit Claims by Tax Type

Tax Type	Number of Claims	Total Claims	Share of Total Claims	Average Claim
Individual Income Tax	329	\$31,675,770	23.6%	\$96,279
Corporation Income Tax	124	\$63,269,157	47.1%	\$510,235
Franchise Tax	63	\$25,357,878	18.9%	\$402,506
Insurance Premium Tax	26	\$13,933,749	10.4%	\$535,913
Total	542	\$134,236,554	100.0%	

Source: Iowa Department of Revenue Tax Returns

Note: A small number of claims against fiduciary tax were included in individual income tax statistics

Historic Preservation Tax Credits Survey

- ▶ Created after the 2009 Historic Preservation Tax Credit Evaluation Study to collect more detailed information on associated economic activity
- ▶ Information self reported by applicants including project funding, project expenditures, and rehabilitation purpose
- ▶ 158 projects completed the survey and received an award since July 2009, 61% of total awards

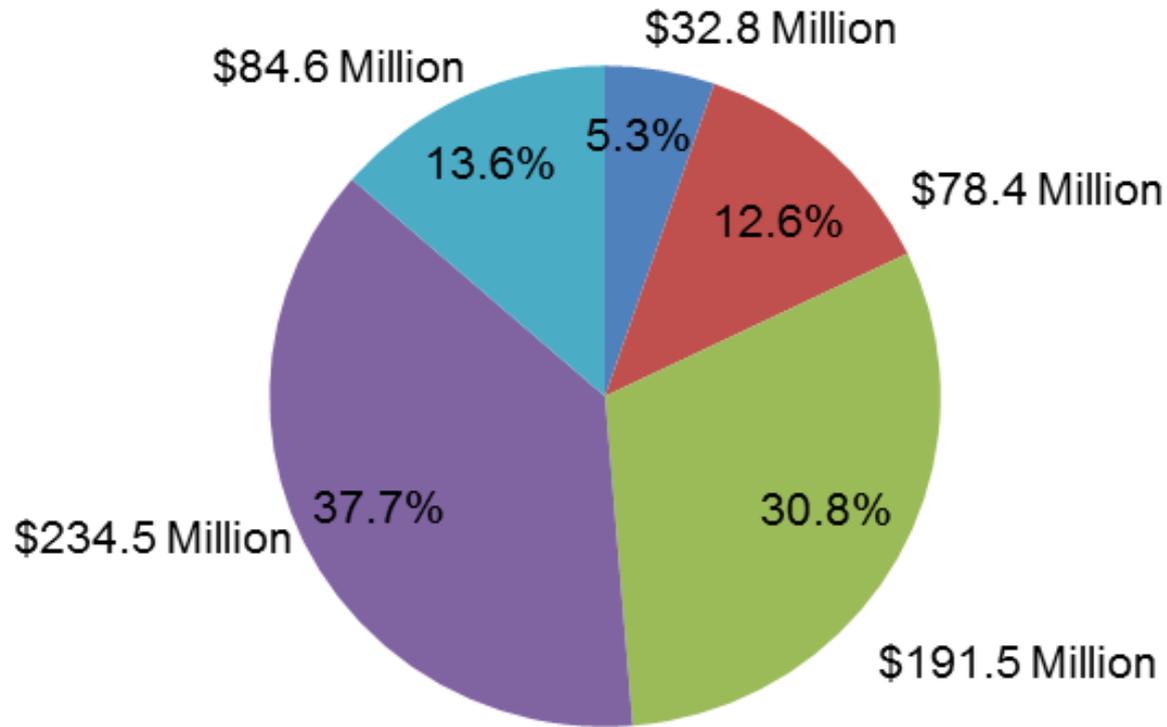
Survey: Self-Reported Transformation of Space

- ▶ How do rehabilitation projects transform spaces?
 - Warehouse and manufacturing spaces were reduced
 - 98% of pre-rehabilitation warehouse space was transformed
 - 26% of pre-rehabilitation manufacturing space was transformed
 - Residential and commercial spaces were increased
 - Post-rehabilitation residential space increased by 711 units, 113%
 - Post-rehabilitation commercial space increased by 148 thousand square feet, 17%

Survey: Self-Reported Project Types

- ▶ Based on the reported uses after rehabilitation, 158 projects were categorized into five project types:
 - Residential: single-family house, residential condo, and townhouse
 - Residential rental: apartment, low-income apartment, and senior housing
 - Commercial: retail, restaurant, office, warehouse, and storage
 - Mixed use: both commercial and residential/residential rental
 - Non-profit: church, museum, barn, artist studio, and community center

Survey: Self-Reported Total Project Funding by Project Type



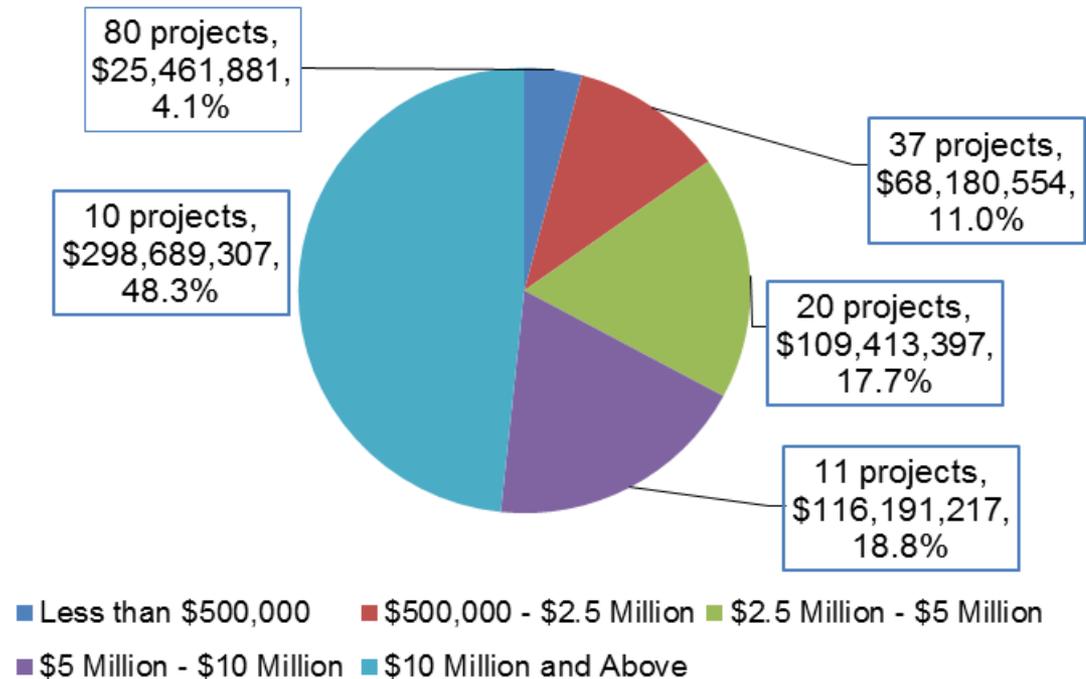
■ Residential ■ Residential Rental ■ Commercial ■ Mixed Use ■ Non-Profit

Source: Self-reported information from the State Historic Preservation Tax Credit Survey

Survey: Self-Reported Funding by Project Size

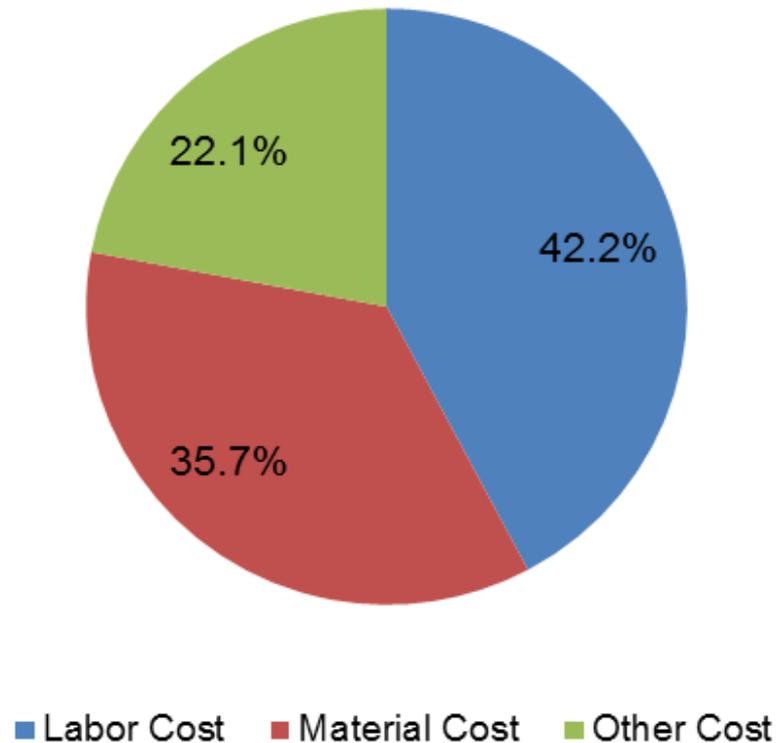
- ▶ Project size measured by total project rehabilitation expenditures

Note: Some projects reported higher funding than expenditures



Source: Self-reported information from the State Historic Preservation Tax Credit Survey

Survey: Self-Reported Project Expenditures by Type

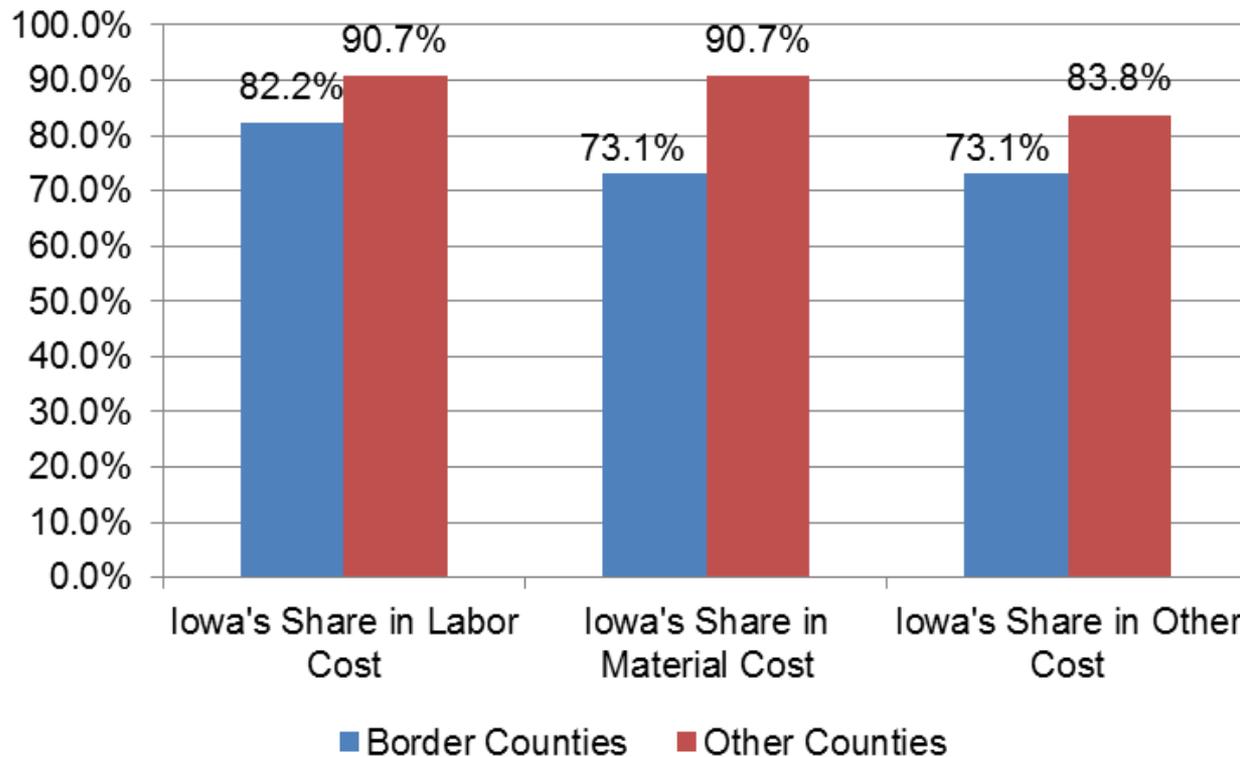


- ▶ Other costs include costs for professional services, public services, and financing

Source: Self-reported information from the State Historic Preservation Tax Credit Survey

Survey: Self-Reported Expenditures Sourced to Iowa by Project Location

- ▶ 84.3% of total project expenditures were spent on Iowa sourced goods and services



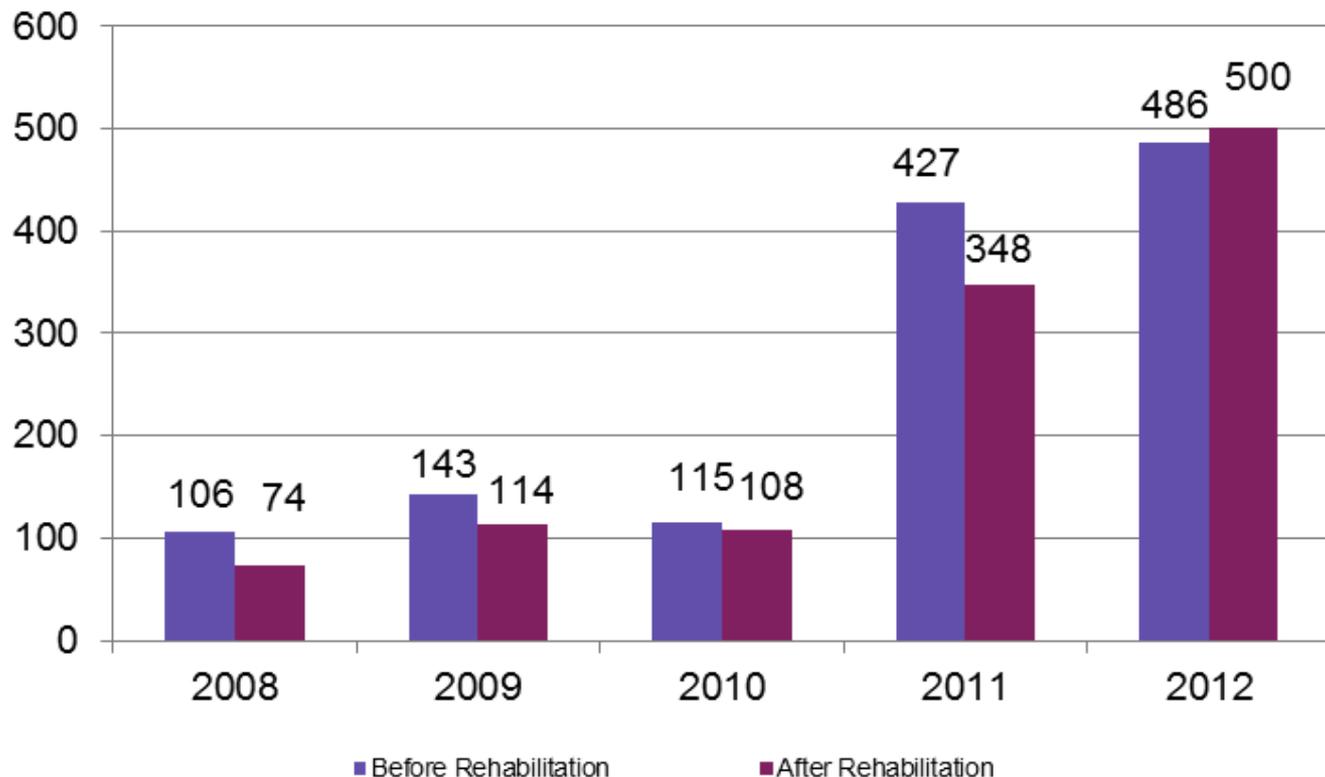
Source: Self-reported information from the State Historic Preservation Tax Credit Survey

Economic Impact Analysis

- ▶ Estimated impact of the rehabilitation supported with tax credits on business usage of historic buildings
 - Employment, wage, and sales revenue of commercial, mixed use, and non-profit projects (for example, a gift shop in a museum)
 - Compares measures of economic activity between periods before and after rehabilitation completion

Employment at Project Properties

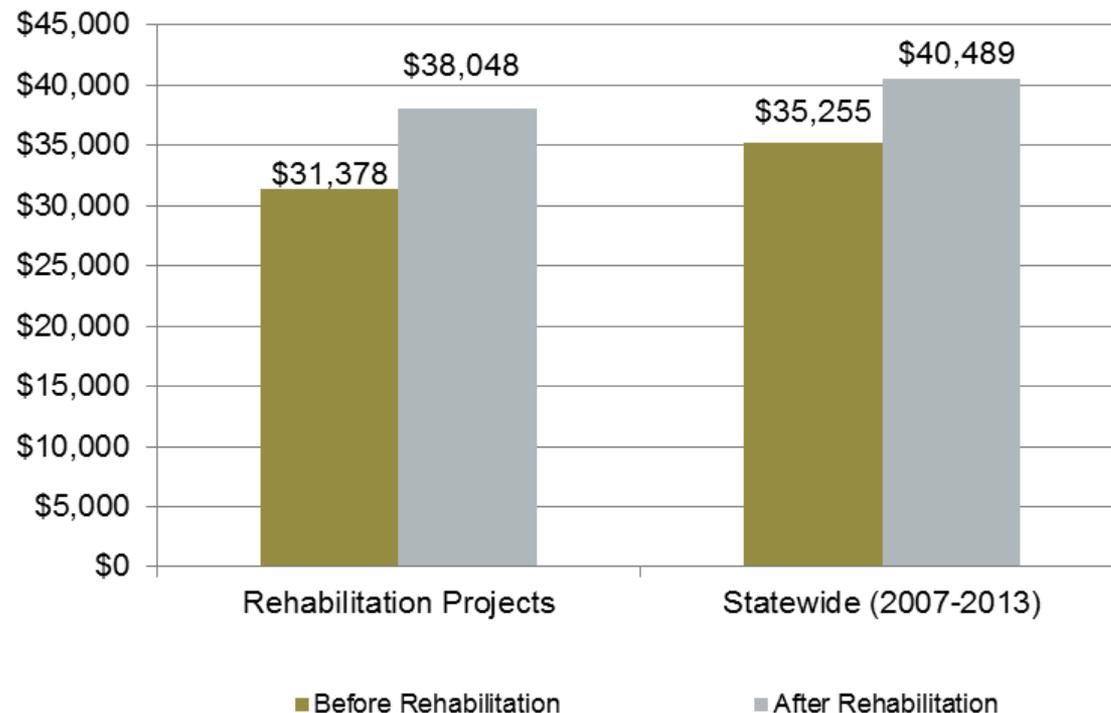
- ▶ Compares employment in year before rehabilitation to year after project completion



Sources: State Historic Preservation Tax Credit Survey, Iowa Department of Revenue, the Iowa Workforce Development

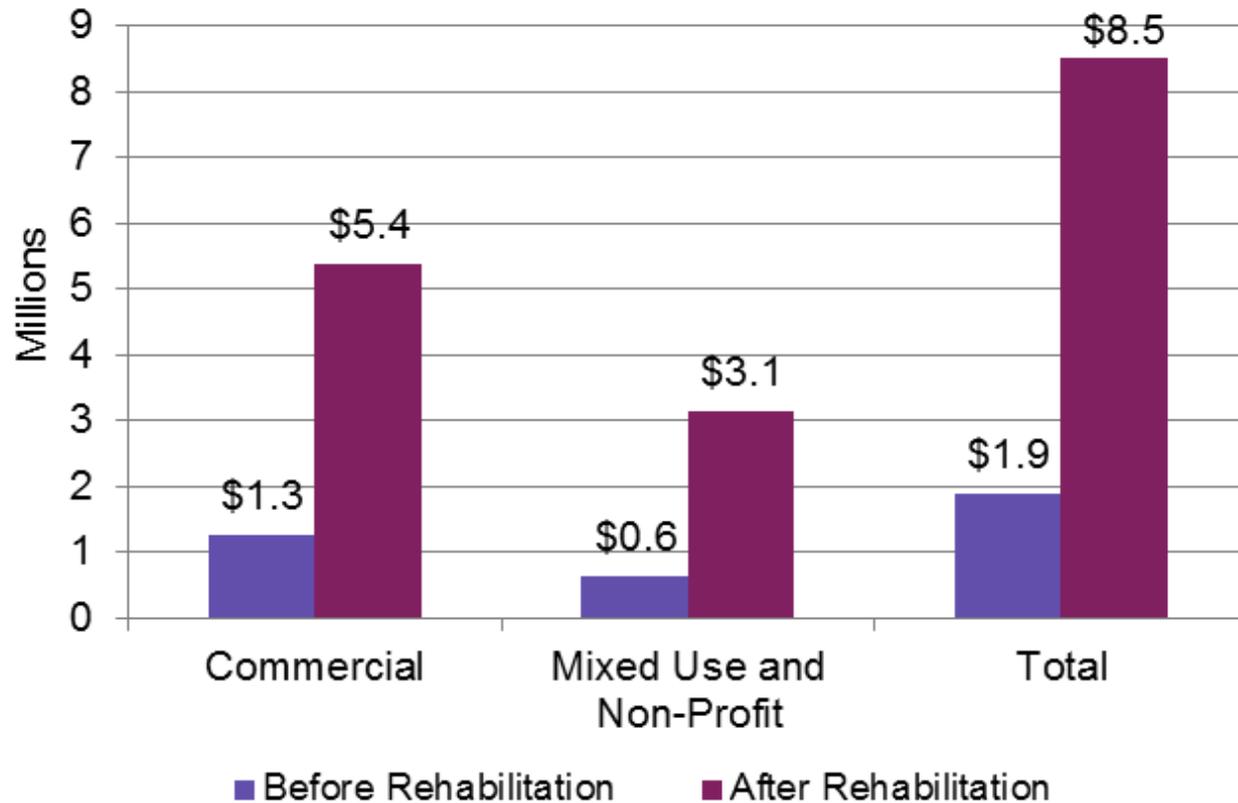
Average Wages at Project Properties

- ▶ Average wage growth rate at project properties: 21.3%
- ▶ Iowa's average wage growth rate between 2007 and 2013: 14.8%



Sources: State Historic Preservation Tax Credit Survey, Iowa Department of Revenue, the Iowa Workforce Development

Sales Tax Revenues at Project Properties



Sources: State Historic Preservation Tax Credit Survey, Iowa Department of Revenue, the Iowa Workforce Development

Questions?