

First Annual Report on the Economic Impact of the Federal Historic Tax Credit

THE HISTORIC TAX CREDIT COALITION

MARCH 2010



Carpenter Center for the Performing Arts, Richmond, Virginia

**National Trust
COMMUNITY
INVESTMENT
Corporation**

a subsidiary of

**NATIONAL TRUST FOR
HISTORIC PRESERVATION®**

National Trust Community Investment
Corporation, a subsidiary of National
Trust for Historic Preservation

RUTGERS

Edward J. Bloustein School
of Planning and Public Policy

Rutgers Edward J. Bloustein School of
Planning and Public Policy

The Historic Tax Credit Coalition, The National Trust Community Investment Corporation, and Rutgers University wish to acknowledge the research assistance of the Technical Preservation Services group of the National Park Service and the National Conference of State Historic Preservation Officers, without which this report would not have been possible.

First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

EXECUTIVE SYNTHESIS

This study examines the background and evolution of the federal historic tax credit (HTC) in the United States; presents quantitative and qualitative information regarding the economic and other benefits of the federal HTC (e.g., providing affordable housing and spurring downtown revitalization); and explores ways in which the current federal HTC—a strong program in its own right—can be more flexibly applied in the future so as to realize yet greater production and ensuing benefits.

As shall shortly be detailed, the federal HTC (technically, Internal Revenue Code [IRC] section 47) was initiated in the late 1970s and aimed to provide a financial lift to realize the rehabilitation of the nation’s historic properties—a challenging goal. The program is administered by the National Park Service (NPS) working collaboratively with State Historic Preservation Officers (SHPOs). The federal HTC has minimum investment and numerous other threshold requirements. There is strict oversight to ensure that program goals are met and a multi-step application process is required encompassing “Part 1” (evaluation of the historic significance of the property), “Part 2” (description of the rehabilitation work), and “Part 3” (request for certification of completed work).

The analysis for this report was conducted by the Rutgers University Center for Urban Policy Research (CUPR¹) under the guidance of Drs. David Listokin, Michael L. Lahr (and CUPR Research Associates Charles Heydt and David Stanek), and with the assistance of John Leith-Tetrault and Anna Klosterman of the National Trust Community Investment Corporation (NTCIC), the historic tax credit subsidiary of the National Trust for Historic Preservation. This study was commissioned by the Historic Tax Credit Coalition (HTCC), a public policy advocacy organization whose members represent historic tax credit industry participants including investors, syndicators, developers, preservation consultants, tax attorneys and accountants.

The historic Carpenter Theater (c. 1928) in Richmond, VA reopened in 2009 as the Carpenter Center for the Performing Arts, providing a home for the Richmond Symphony, Richmond Ballet and the Virginia Opera. The adjacent Dorothy Pauley Square (new construction) provides performance, educational and gallery spaces at affordable rates to Richmond’s emerging arts groups. The \$85 million project would never have been realized without over \$20 million in equity and debt provided by the federal and state historic and New Markets Tax Credits.



¹CUPR is a unit in the Edward J. Bloustein School of Planning and Public Policy at Rutgers, The State University of New Jersey.

First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

HISTORY OF FEDERAL AND STATE TAX CREDIT INCENTIVES

The history of federal tax incentives for historic rehabilitation began with the 1976 Tax Act which included a 60-month accelerated depreciation of certain costs of rehabilitating certified historic properties and a tax deduction for preservation easements. However, the most significant step forward came with the Economic Recovery Tax Act (ERTA) of 1981 which included a 25% tax credit for income-producing certified historic rehab, a 15% credit for the rehabilitation of non-historic buildings at least 30 years old, and a 20% credit for renovation of existing commercial properties at least 40 years old.

ERTA quickly became a powerful driver of historic and non-historic rehabilitation activity as part of a broader economic stimulus package of the new Reagan Administration. In fiscal year (FY) 1985, NPS Part 2 approvals reached a peak of about \$2.4 billion and approximately 6,200 applications respectively. (Unless otherwise indicated, dollar figures here and elsewhere are not adjusted for inflation.)

The last major structural changes to the IRC Section 47 rehab credits were made 24 years ago as part of the 1986 Tax Reform Act when the 25% certified historic rehab credit was reduced to 20% and the non-historic building rehab credit was collapsed into one 10% credit. Just as significant was the Act's new "passive loss" rules which placed limitations on individual investor use of the HTC to offset investment income. The HTC market, which had depended on a combination of individual developer/owner investments and large individual-investor syndication structures, plummeted as a result of this change.

The decline continued through 1993 when only 538 projects received NPS Part 2 approval and total Part 2 approvals dropped to \$468 million. In the wake of the 1986 passive loss rule changes, thousands of individual HTC investors were left with credits that they could not redeem.

The HTC market began to recover during the second half of the 1990s when corporations that had become regular investors in the Low-Income Housing Tax Credit (LIHTC) began looking for alternative investments when yields on the LIHTC began to fall. These companies had become familiar with the HTC through the combining, often termed "twinning," of the HTC with LIHTC credits when historic properties were adaptively reused for affordable housing.

The T.S. Martin & Co. Department store (c. 1898) in Sioux City, Iowa, now known as the Century Plaza Apartments, was converted into 17 units of affordable housing and 12,000 square feet of office/retail space in 1999. The project would not have been possible without the use of \$374,081 in federal historic and \$969,919 in Low Income Housing Tax Credit equity.



First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

In addition to leveraging other federal subsidies for housing and business development in low-income communities, the HTC has provided a model for the enactment of state historic tax credits (SHTC) in about 30 states. This number of tandem SHTCs compares favorably to the 16 states with state LIHTCs and eight states with New Markets Tax Credit (NMTC) programs. NPS statistical reports document that the states with the strongest SHTC statutes regularly lead the nation in the use of the federal HTC.²

The Need for Historic Tax Credit Modernization

Despite the documented success of the HTC program, on a dollar volume basis, it remains much smaller than the LIHTC and NMTC credit programs. Even as an uncapped credit, the NPS certified only \$655 million³ in HTC credits in FY 2008, its highest dollar volume in the program's history. This compares to the pre-recession \$7 billion credit expenditure level for the LIHTC and the recent \$5 billion Round 7 allocation of the NMTC program.

There are a variety of reasons for the relatively lower utilization rate of the federal HTC. Suggestions for removing some of these impediments are contained in a bill currently before both houses of Congress, HR 3715 and S 1743. The broad themes of this legislation include provisions that would facilitate greater use of the HTC on "Main Street-scale" rehabilitations in small towns and rural communities. Several provisions would provide a slightly deeper credit if the rehabilitation project achieves at least a 30% energy efficiency improvement over a baseline for similar buildings. Another "green" provision would allow the twinning of the HTC with Section 48 Renewable Energy Credits.



The Villagra Building in Santa Fe, New Mexico, which provides offices for the State Attorney General is comprised of the original historic structure built in 1934 and a new addition added in 2004. It is the first building in New Mexico to achieve LEED Gold level certification. One of its green attributes is the application of a high-tech ceramic film called Huper Sech to the interior glass surface of the structure's original windows to improve their thermal properties.

By lowering minimum rehab levels to 50% of adjusted building basis, the bill allows for moderate rehabilitation. The bill would allow the use of the 10% non-historic building credit for housing and index the eligibility date for these properties to buildings 50 years or older. HR 3715 and S 1743 would promote nonprofit organization sponsorship of HTC transactions by rolling back three of the four "disqualified lease rules" that limit leasing to nonprofit or government tenants in HTC properties to 50% of leasable space. Finally the bill contains several provisions that would increase the value of state HTCs when used in tandem with the federal HTC.

²Source: Federal Tax Incentives for Rehabilitating Historic Buildings, Statistical Report and Analysis for Fiscal Year 2008, National Park Service, U.S. Department of the Interior, Technical Preservation Services.

³This is the amount of the HTC derived by applying the 20 percent credit to the Part 3 certified investment.

RESEARCH ASSUMPTIONS AND METHODOLOGY

From fiscal year (FY) 1978 through FY 2008, NPS “Part 2” pre-rehabilitation approvals amounted to about \$102.8 billion (in inflation-adjusted 2008 dollars) slated for investment in about 45,000 federal HTC-associated projects. In FY 2008 alone, the Part 2 estimate in such projects was about \$5.6 billion. However, the amount of Qualified Rehab Expenditures (QREs) for the tax credit reflected in “Part 3” certifications, made after completion, is significantly less: about \$76.5 billion over FY 1978-2008 and \$3.3 billion in FY 2008 (all inflation-adjusted 2008 dollars). (All the above figures are best estimates.) This report therefore uses the lower Part 3 QREs inflated by 10% to account for non-QRE expenditures to estimate the economic impacts of the federal HTC. Aggregate investment using this more conservative approach is estimated at \$85.0 billion over the 31-year life of the federal HTC and \$3.6 billion in 2008. More detailed program activity data are found in Summary Exhibit 1.

The federal cost of the HTC is equal to the credit percent (25 percent from 1978 through 1986 and 20 percent from 1987 onward) applied to the “Part 3” investment. That calculation yields the following estimates: the federal tax credit over the FY 1978-2008 period cost the US Treasury \$16.6 billion (in inflation-adjusted 2008 dollars). Estimated total federal tax receipts generated by the HTC over the 31-year FY 1978-2008 span were \$21 billion, indicating that the federal historic tax credit is a revenue raiser for the US Treasury. (See Summary Exhibit 1 for details and for FY 2008 results.) This study quantifies the construction-stage total economic effects (i.e., direct as well as multiplier or secondary economic consequences) of the above cited investments. These effects are studied via an input-output model developed by Rutgers University for the National Park Service called the Preservation Economic Impact Model (PEIM).

In the current analysis, the PEIM is applied to both cumulative (FY 1978 through 2008) federal tax credit-aided historic rehabilitation investment in the United States (about \$85 billion in 2008 inflation-adjusted dollars) and to the one-year 2008 annual tax credit-aided rehabilitation investment (about \$3.6 billion) throughout the nation. In applying the cumulative analysis, we consider the effects of the \$85 billion rehabilitation investment as if effected in one year (2008), rather than retroactively backdating and applying the economic model for each of the 31 years encompassing the FY 1978-2008 study period.

The results of the PEIM model include many fields. The fields most relevant to this study are the total impacts of the following:

- **Jobs:** *Employment, both part- and full-time, by place of work, estimated using the typical job characteristics of each industry.*
- **Income:** *“Earned” or labor income, specifically wages, salaries, and proprietors’ income.*
- **Wealth:** *Value added — the sub-national equivalent of gross domestic product (GDP). At the state level, this is called gross state product (GSP).*
- **Output:** *The value of shipments, which is reported in the Economic Census.*
- **Taxes:** *Tax revenues generated by the activity which include taxes to federal, state and local governments.*

First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

HTC National Economic Impacts

The national total (direct and multiplier) economic impacts from the HTC-associated rehabilitation investment for the program to date (FY 1978-2008) and for the most current-year investment (FY 2008) are shown below and are also contained in Summary Exhibit 1. Detailed impacts are found in Summary Exhibits 2 through 4 and selected critical findings are further plotted in Summary Graph Sets 1 and 2 as well as Summary Maps 1 and 2.

Economic Impacts	Federal HTC-assisted rehabilitation	
	\$85.0 billion cumulative (FY 1978-2008) historic rehabilitation expenditures results in:	\$3.6 billion for FY 2008 historic rehabilitation expenditures results in:
National Total (Direct and Multiplier Impacts)		
Jobs (person-years; thousands)	1,815	58.8
Income (\$ billion)	71.7	2.6
Output (\$ billion)	197.6	6.9
GDP (\$ billion)	97.6	3.5
Taxes (\$ billion)	28.7	1.0
<i>Federal</i> (\$ billion)	21.0	0.6
<i>State</i> (\$ billion)	3.9	0.2
<i>Local</i> (\$ billion)	3.8	0.2

The benefits that accrue from the investment in the federal tax credit-aided historic rehabilitation projects are extensive and almost all sectors of the nation's economy see their payrolls and production increased. Illustrative are the cumulative FY 1978-2008 federal HTC effects. Just under 30 percent of the national-based jobs from the cumulative \$85 billion tax credit-aided rehabilitation investment (approximately 512,000 of 1,815,000 jobs) and national gross domestic product (\$27.5 billion of \$97.6 billion GDP) created by historic rehabilitation aided by the cumulative federal HTC accrue to the nation's construction industry; this is as one would expect, given the share of such projects that require the employment of building contractors. Other major economic sector beneficiaries are services (338,000 jobs, \$12.9 billion in GDP) as well as manufacturing (368,000 jobs, \$25.0 billion GDP) and the retail trade (281,000 jobs, \$7.3 billion GDP) sectors. As a result of the interconnectedness of the national economy and because both direct and multiplier effects are considered, other sectors of the national economy not immediately associated with historic rehabilitation are affected as well, such as agriculture, mining and transportation and public utilities. (See Summary Exhibits 1 through 3, Summary Graph Sets 1 and 2, and Summary Maps 1 and 2.)

First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

HTC State Level Impacts

The economic impact from federal tax credit-aided historic rehabilitation is reflected at the state-level as well as the national economy. For example, in FY 2008, Missouri had about \$419 million in federal HTC-supported rehabilitation. The national impacts of that investment included about 7,200 jobs generating an additional \$796 million in output, \$299 million in income, \$396 million in GDP, and \$94 million in taxes. At the state of Missouri level, the FY 2008 \$419 million in historic rehabilitation spending translated to about 5,300 jobs generating \$518 million in output, \$225 million in labor income, \$275 million in gross state product (GSP), and \$85 million in taxes. The in-state wealth (GSP minus federal taxes) resulting from rehabilitation expenditures amounted to \$210 million, indicating a high 76 percent retention rate. Similar high state-level retention rates of the economic benefits from the HTC characterize other locations as well.

Comparison of the HTC to the Economic Impacts of Non-Preservation Investments

How does tax credit-aided historic rehabilitation fare as an economic pump-primer vis-à-vis other non-preservation investments? The short answer is “quite well” as we cite Kansas as an example. A \$1 million investment in historic rehabilitation in Kansas realizes a markedly better economic effect to Kansas with respect to employment, income, GSP, and state-local taxes compared to a similar increment of investment (i.e. \$1 million) in an

array of residential and nonresidential new construction (including building highways) in Kansas or a \$1 million investment in an array of business activities important in Kansas, such as manufacturing (e.g., electrical machinery and automobile), agriculture (wheat farming), and services (telecommunication). It is not a question of historic rehabilitation as opposed to other pursuits, but rather historic rehabilitation joining in a holistic fashion the many activities of the broader economy in Kansas so as to realize the commendable strong economic “bang for the buck” offered by that rehabilitation.



The Harmony Mills National Historic Landmark in Cohoes, New York (c. 1866-1872) encompasses a complex of four mill buildings that was once the largest textile mill in North America.

The rehabilitation of Mill no. 3 into 96 loft apartments in 2006 was made feasible by \$2,619,621 in federal historic tax credit equity.

First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

HTC Impacts on Housing and Downtown Revitalization

Case study analysis of federal HTC implementation points to many additional quantitative and qualitative benefits of the federal tax credit, including providing affordable housing, fostering downtown economic development and encouraging adaptive reuse. The historic preservation, affordable housing, economic development and other benefits of the federal HTC are augmented by combining the federal HTC with other tax credits. In an exemplary case of creative federalism, about 30 states have state-level HTCs of their own; they typically “piggyback” the federal HTC. The federal (and state) HTCs have further been “twinned” with the federal Low-Income Housing Tax Credit (LIHTC) and the federal New Markets Tax Credits (NMTC).



In 2009, with the help of \$3,798,586 in federal historic tax credit equity, The American Brewery Building (c. 1877) in east Baltimore, MD became the headquarters of Humanim, a nonprofit human services group that provides employment training and other support to physically and mentally challenged individuals living in poverty.

An NTCIC study of the first 4 Rounds of the NMTC program has shown that about one in 10 transactions and approximately 20% of all Qualified Equity Investments involve the twinning of historic and New Markets Tax Credits. NPS statistics show that two-thirds of all approved HTC projects since 2002 have been located in NMTC-eligible Low-Income Census Tracts. No similar studies or statistics exist for the twinning of LIHTC and federal HTCs, but anecdotal evidence suggests that as much as 15% of all LIHTC affordable housing projects are adaptive reuses of historic properties that also generate HTCs.

These various tax credit combinations have produced powerful results. For example, from the inception of federal historic preservation tax incentives to date (FY 2008), 405,385 housing units have been completed. Of that total, 216,993 or 54 percent, were existing housing units that were rehabilitated, and 188,392 or 46 percent were “newly” created housing units (e.g., housing resulting from the adaptive reuse of once-commercial space). Of the 405,385 total housing units completed under federal historic preservation tax incentive auspices since the late 1970s, 101,860, or 25 percent, were affordable to low- and/or moderate-income (LMI) families (This was often accomplished by combining the federal HTC with the LIHTC.) That averages to about 3,300 LMI units per year. In FY 2008, 5,220 LMI units were produced under the federal HTC. The federal HTC is largely invisible in the housing “radar”, yet it deserves much greater attention, given its total and LMI housing unit production. Further, the LMI share of HTC housing units is growing. From FY 2000 through FY 2008, 37 percent, on average, of all federal HTC housing has been at LMI levels. In FY 1998, the LMI share of all HTC units reached a high of 48 percent.

First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

Summary of Cumulative HTC Impacts

In short, the federal HTC is a “good” investment for the nation, states, and local communities. We illustrate some facets of this by considering the cumulative (FY 1978-2008) program to date.

- An inflation-adjusted (2008 dollars) \$16.6 billion federal historic tax credit cost to date has encouraged a five times greater amount of historic rehabilitation (\$85 billion).
- This rehabilitation investment has generated about 1.8 million new jobs and billions of dollars of total (direct and secondary) economic gains.
- The cumulative impacts to the national economy include: output (\$198 billion), gross domestic product (\$98 billion), income (\$72 billion), and taxes (\$29 billion, including \$21 billion in federal tax receipts).
- The leverage and multiplier benefits as noted above give support to the argument that the federal HTC is a strategic investment. **Our results also show that the federal cost of the HTC—a cumulative \$16.6 billion in 2008 inflation-adjusted dollars—is more than offset by the \$21 billion in federal taxes realized to date.**

In considering the federal HTC “cost-benefit,” it should further be realized that our quantification of HTC economic and tax consequences are understated for various reasons:

For various technical reasons, our estimate of the total rehabilitation cost associated with the federal HTC (i.e., \$85 billion in constant 2008 dollars over FY 1978-2008 and \$3.6 billion in FY 2008) is likely understated. In tandem then, the economic and tax effects flowing from the rehabilitation investment are understated as well.

Significant economic and tax benefits accrue from the federal HTC that have not been quantified by Rutgers University because they went beyond the scope of the current investigation. The latter focused solely on the economic effects from the federal HTC-associated construction—a one-time investment.

First Annual Report on the Economic Impact Of the Federal Historic Tax Credit

In fact, there are recurring year-by-year economic returns from the federal HTC. These recurring benefits include the federal HTC's investment enhancing tourism, specifically heritage and cultural travel (a multi-billion dollar industry); the historic tax credit providing adaptively-reused and other commercial space for businesses that annually have a payroll and tax payments; and the positive federal HTC investment impact on property values, which then yearly have tax, wealth, and other benefits. We have also not counted the well known (though difficult to measure) tendency of historic rehabilitation to boost investor and neighborhood confidence and induce a broader trend toward community-wide revitalization.

In a related fashion, we are not capturing how the enhanced "quality of life" (QOL) realized by the federal HTC furthers the national and state economy and public tax generation (e.g.,

through such means as attracting the "creative class" and more generally from enhanced worker efficiency, reduced medical expenses, and the like). In short, the full economic and tax benefits from the federal HTC are yet greater than the already considerable economic and tax consequences documented in the current study.



The iconic Pontchartrain Hotel in New Orleans was rescued from severe hurricane flood damage and reopened in 2010 as 84 service-enriched senior housing units. The rehabilitation was made feasible by over \$8 million in financing provided by federal and state historic and federal New Markets Tax Credits.

SUMMARY EXHIBIT 1

Summary of Federal Historic Tax Credit Statistics

--Dollar amounts are expressed in billions--

Investment/Tax Credit Component ^a	FY 1978 - 2008				FY 2008
	Nominal\$ ^d		Real\$ ^e		Real\$ ^f
	Total	Annual Average	Total	Annual Average	Total
Approved proposed (for tax credit) rehabilitation ("Part 2")	\$57.3	\$1.8	\$102.8	\$3.3	\$5.6
Certified (for tax credit) rehabilitation ("Part 3")	\$40.9	\$1.3	\$76.5	\$2.5	\$3.3
Total rehabilitation cost ^b	\$45.4	\$1.5	\$85.0	\$2.7	\$3.6
Federal tax credit ^c	\$8.6	\$0.3	\$16.6	\$0.5	\$0.7

--Dollar amounts are expressed in billions of Real 2008 \$^e --

Economic Impacts (See Summary Exhibits 2 through 4 for details.)	FY 1978 - 2008		FY 2008
	Total	Annual Average	Total
Jobs (in thousands)	1,815.2	58.6	58.8
Income	\$71.7	\$2.3	\$2.6
Gross Domestic Product	\$97.6	\$3.1	\$3.5
Output	\$197.6	\$6.4	\$6.9
Taxes—All Government	\$28.7	\$0.9	\$1.0
Taxes—Federal Government	\$21.0	\$0.7	\$0.6
Taxes—State Government	\$3.9	\$0.1	\$0.2
Taxes—Local Government	\$3.8	\$0.1	\$0.2

Technical Background: The HTC has a multi-step application process encompassing "Part 1" (evaluation of the historic significance of the property), "Part 2" (description of the rehabilitation work), and "Part 3" (request of certification of completed work). With respect to the HTC's dollar magnitude, the most complete data is for the approved proposed (for tax credit) rehabilitation investment ("Part 2"). We do not have as good data on the year-by-year certified (for tax credit) rehabilitation ("Part 3") volume over the full FY 1978-2008 period. (Only a portion of the "Part 2" rehabilitation is ultimately certified as "Part 3.") Further, we do not have specific data on the total rehabilitation investment associated with the HTC. By way of background, both "Part 2" and "Part 3" rehabilitation statistics include only what are termed "eligible" or "qualified" items (or Qualified Rehabilitation Expenditures—QRE) for the tax credit as opposed to what are called "ineligible" or "non-qualified" costs. Examples of "eligible"/"qualified" items include outlays for renovation (walls, floors, and ceilings, etc.) construction-period interest and taxes, and architect fees; examples of "ineligible"/"non-qualified" costs include landscaping, financing and leasing fees, and various other outlays (e.g., for fencing, paving, sidewalks and parking lots). While the "ineligible"/"non-qualified" expenses do not count for tax credit purposes, they are practically a component of the total rehabilitation investment borne by the HTC-oriented developer and in fact, the total rehabilitation investment (including "ineligible"/"non-qualified" costs) help pump-prime the economy. Based on the best published data and through additional case studies conducted specifically for the purposes of the current investigation, Rutgers University *estimates* some of the "missing information" noted above regarding the cumulative HTC investment over FY 1978-2008.

^a Data estimated from best available information

^b Equals all rehabilitation outlays—both "eligible"/"qualified" expenses and "ineligible"/"non-qualified" costs. The total rehabilitation cost is estimated by dividing the "Part 3" investment divided by .9. Case study investigation suggests that the "Part 3" amount is closer to 85 percent of the total rehabilitation cost, however we elected to apply the .9 factor to be conservative, that is to derive a lower rather than a higher estimate of the total rehabilitation expense.

^c Assumes a 25 percent HTC in FY 1978 - FY 1986 and a 20 percent HTC in FY 1987 - FY 2008. These percents are applied to the certified rehabilitation ("Part 3")

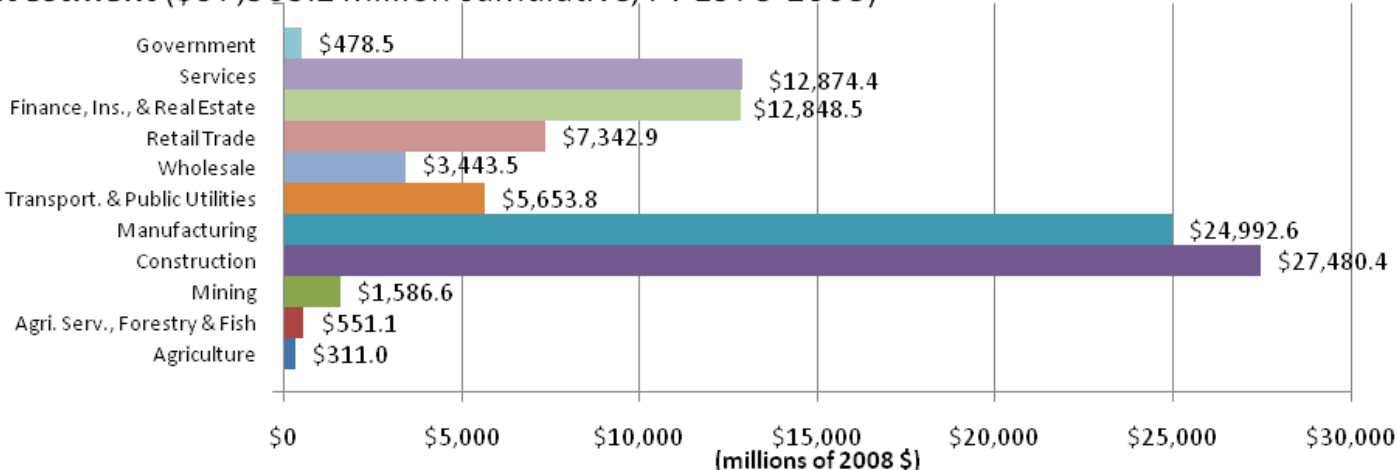
^d In indicated year dollars--not adjusted for inflation

^e In inflation-adjusted 2008 dollars

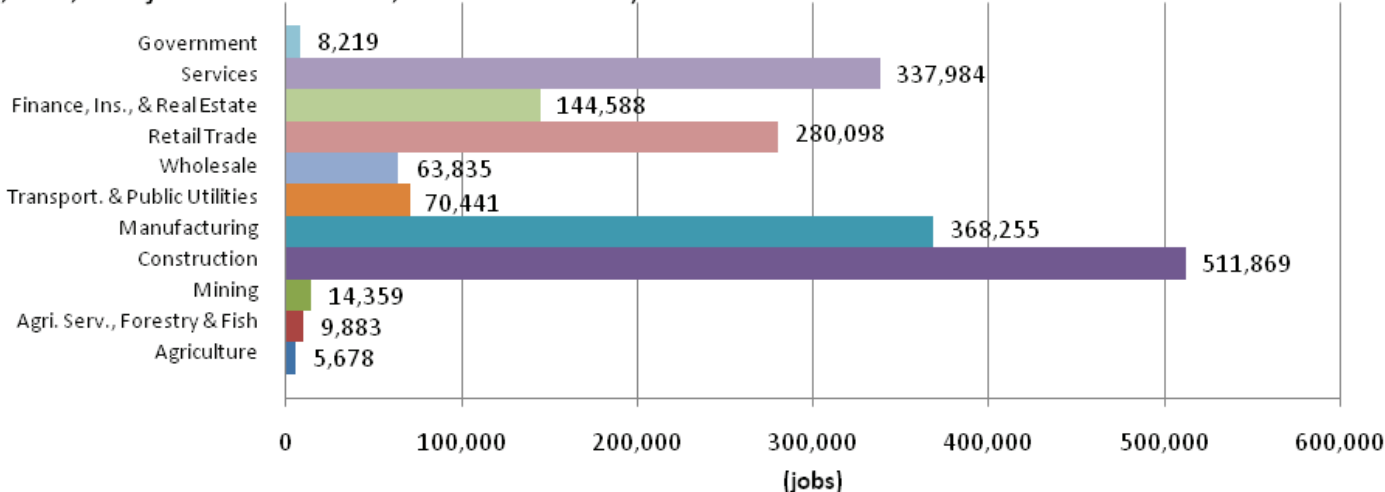
^f Nominal and real dollars are the same for 2008

Sources: Department of the Interior, National Park Service, Technical Preservation Services; National Council of State Historic Preservation Offices; and calculations by Rutgers University

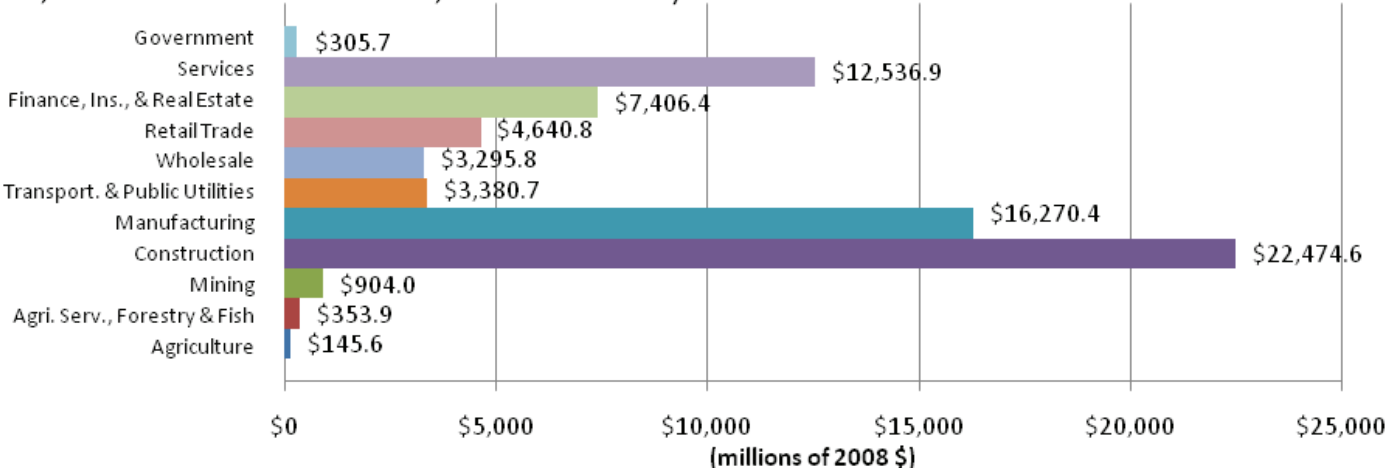
Gross Domestic Product by Sector from Federal Historic Tax Credit Investment (\$97,563.2 million cumulative, FY 1978-2008)



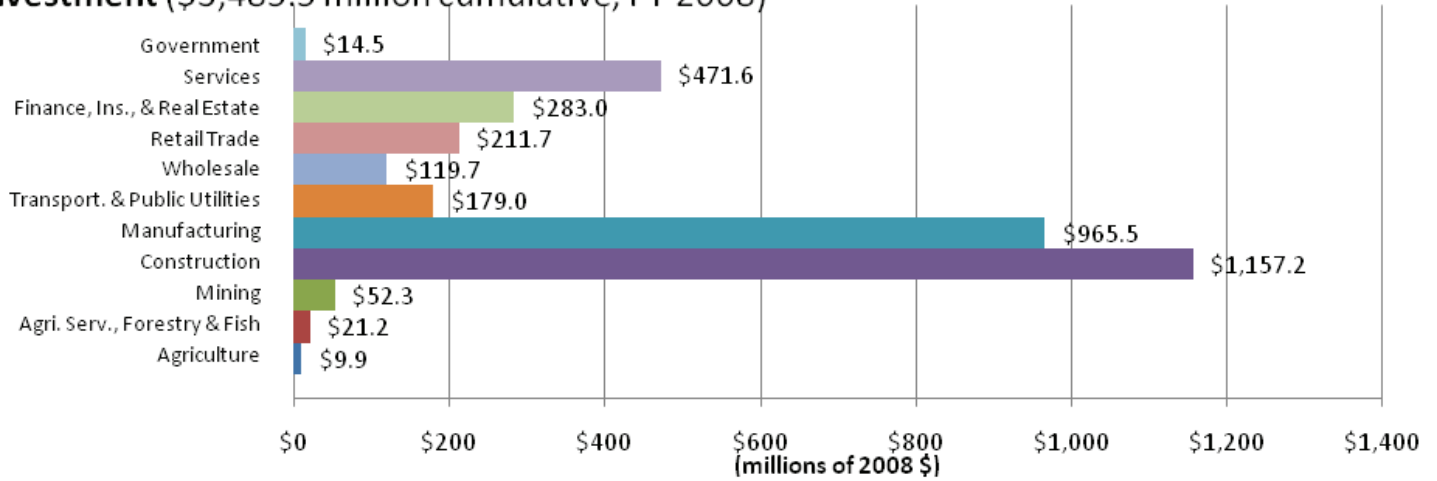
Jobs Created by Sector from Federal Historic Tax Credit Investment (1,815,208 jobs cumulative, FY 1978-2008)



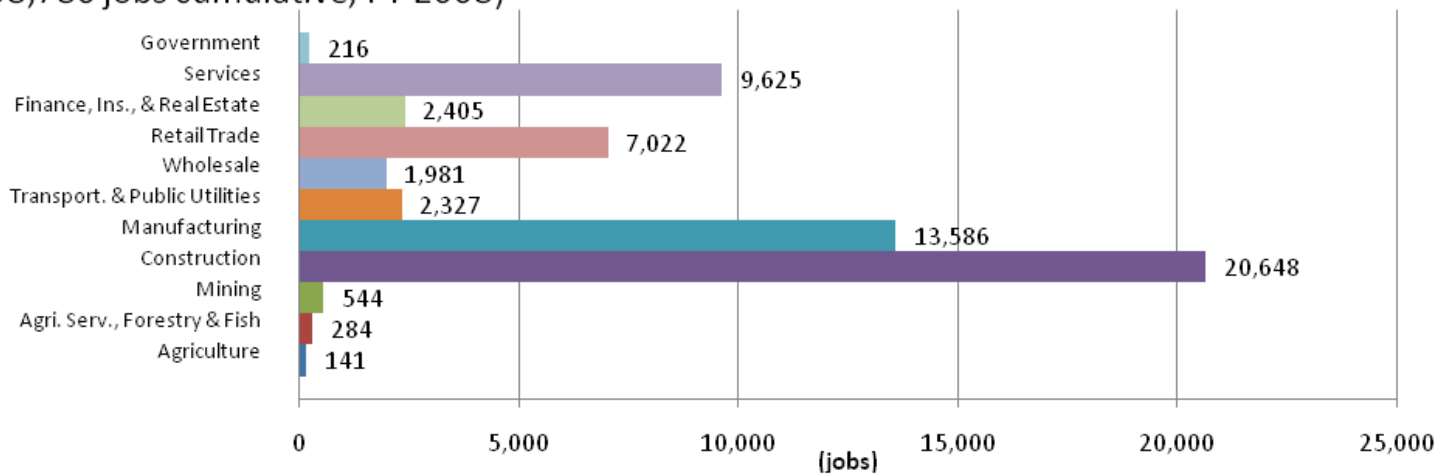
Income Created by Sector from Federal Historic Tax Credit Investment (\$71,714.7 million cumulative, FY 1978-2008)



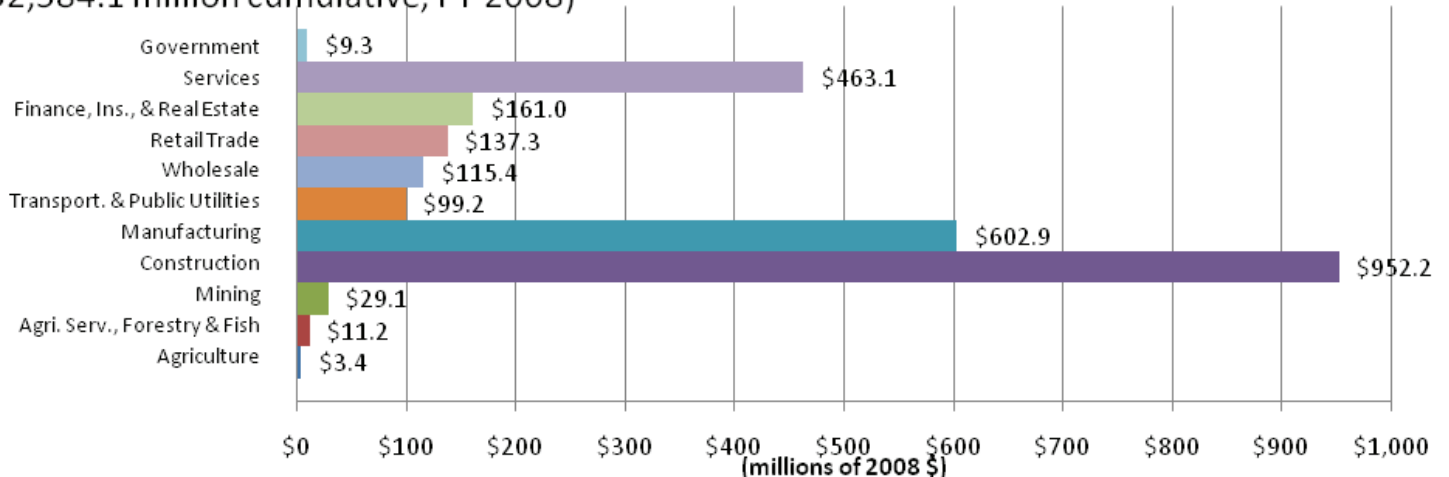
Gross Domestic Product by Sector from Federal Historic Tax Credit Investment (\$3,485.5 million cumulative, FY 2008)



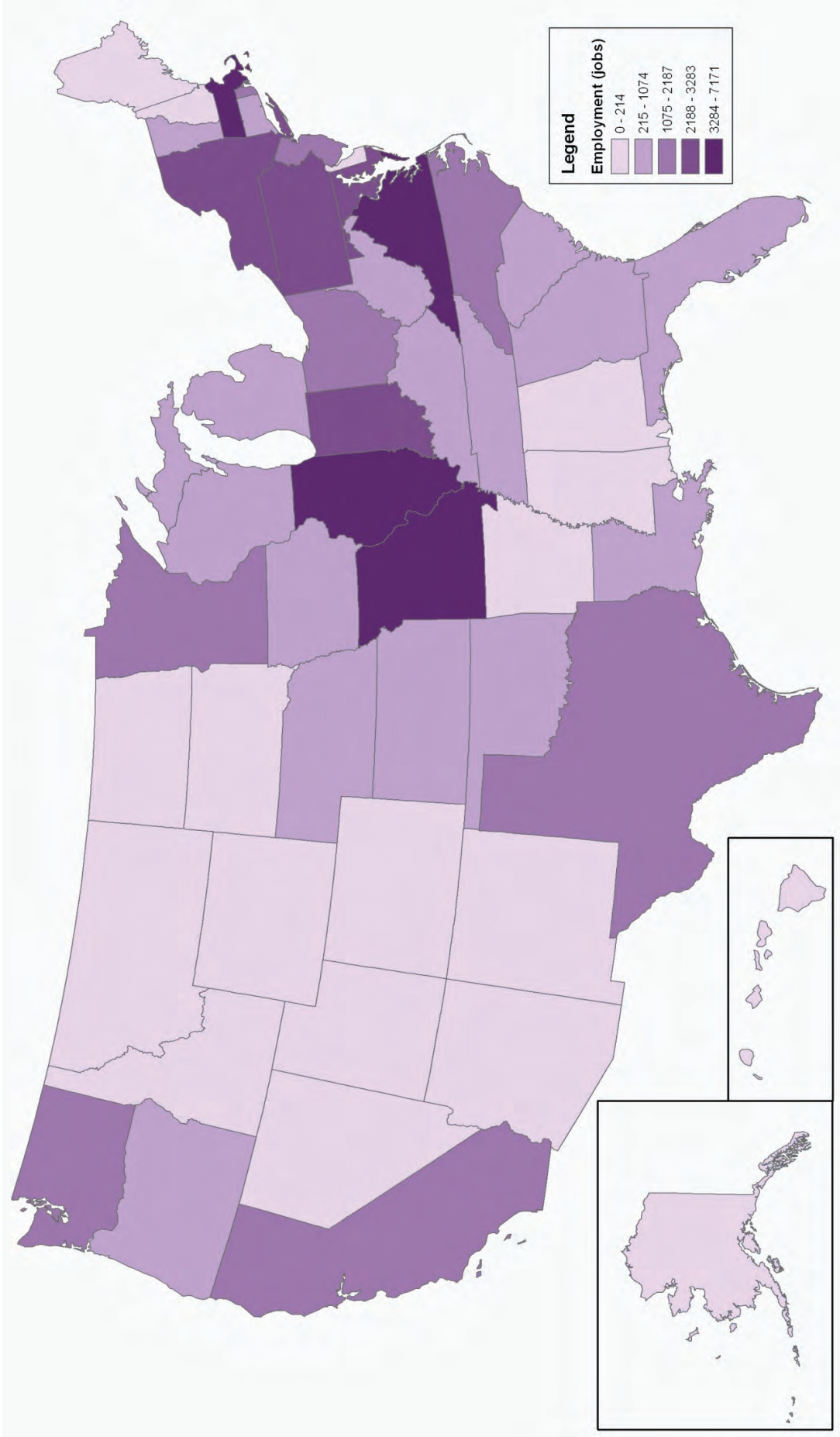
Jobs Created by Sector from Federal Historic Tax Credit Investment (58,780 jobs cumulative, FY 2008)



Income from \$3,636.3 million in Federal Historic Tax Credit Investment (\$2,584.1 million cumulative, FY 2008)

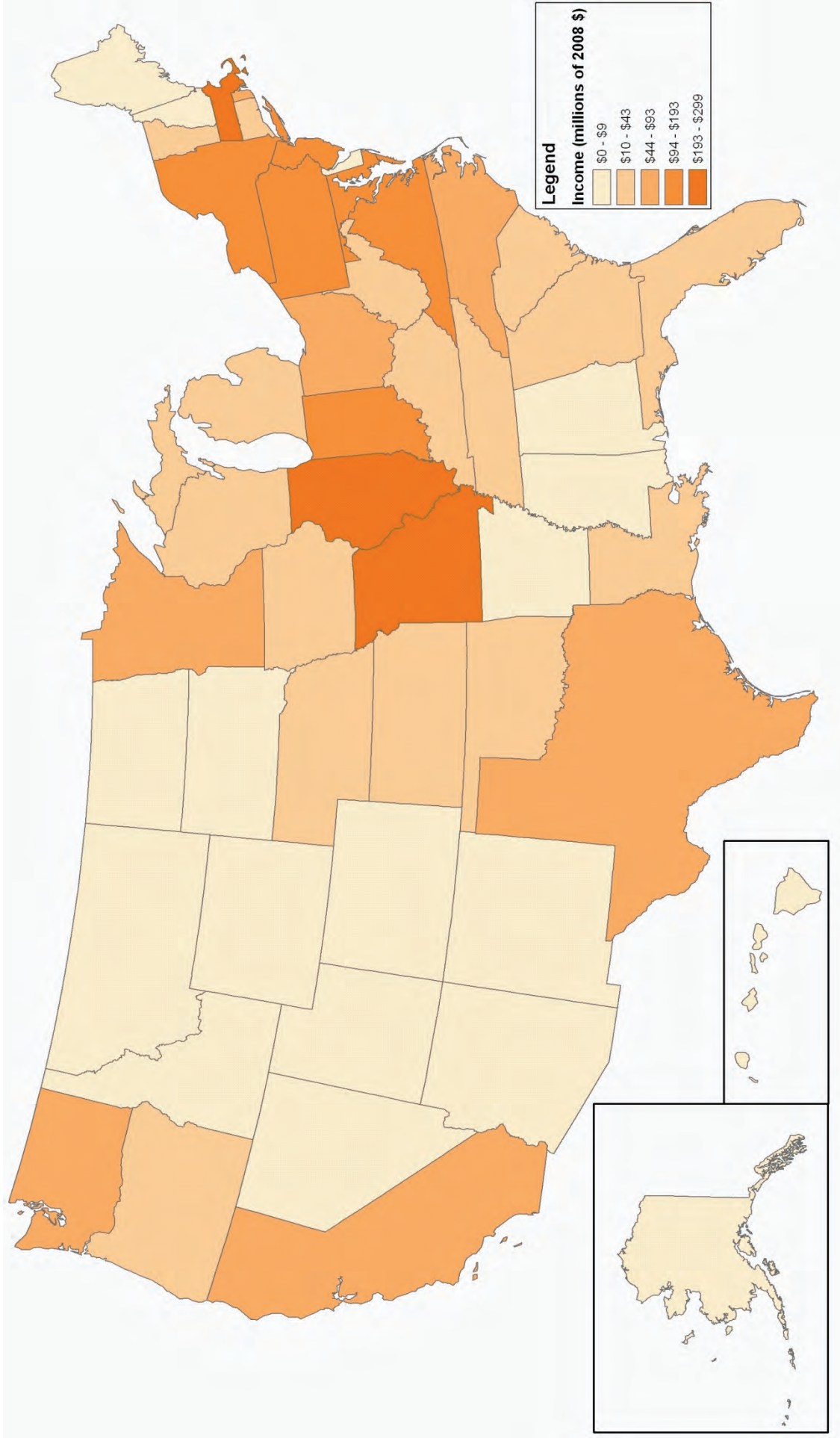


SUMMARY MAP 1
Employment Impacts to the National Economy from the Historic Tax Credit Rehabilitation Investment
Fiscal Year 2008



Note: As indicated in the title, this map quantifies the impacts to the *national* economy of each state's HTC investment. Much of these national-level impacts, however, are retained within each state.

SUMMARY MAP 2
Income Impacts to the National Economy from the Historic Tax Credit Rehabilitation Investment
Fiscal Year 2008



Note: As indicated in the title, this map quantifies the impacts to the *national* economy of each state's HTC investment. Much of these national-level impacts, however, are retained within each state.

SUMMARY EXHIBIT 2

Economic and Tax Impacts of Federal Historic Tax Credit Investment on the Nation Fiscal Years 1978-2008 (\$84,997.4 Million)

	Economic Component			
	Output (000\$)	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced) *				
1. Agriculture	2,096,228.3	5,678	145,602.5	311,049.5
2. Agri. Serv., Forestry, & Fish	1,017,145.7	9,883	353,972.0	551,089.4
3. Mining	3,708,743.8	14,359	903,976.2	1,586,596.1
4. Construction	38,592,837.3	511,869	22,474,583.3	27,480,447.4
5. Manufacturing	70,053,219.9	368,255	16,270,351.3	24,992,550.6
6. Transport. & Public Utilities	13,541,194.0	70,441	3,380,654.2	5,653,750.7
7. Wholesale	8,104,589.2	63,835	3,295,750.4	3,443,478.5
8. Retail Trade	12,612,585.7	280,098	4,640,801.8	7,342,888.3
9. Finance, Ins., & Real Estate	18,910,648.4	144,588	7,406,420.5	12,848,450.8
10. Services	27,948,192.5	337,984	12,536,923.7	12,874,421.8
11. Government	1,008,741.5	8,219	305,747.1	478,488.9
Total Effects (Private and Public)	197,594,126.3	1,815,208	71,714,783.0	97,563,212.0
II. DISTRIBUTION OF EFFECTS/MULTIPLIER	Output (000\$)	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
1. Direct Effects	84,997,405.6	834,865	37,746,293.2	46,022,755.6
2. Indirect and Induced Effects	112,596,720.7	980,344	33,968,489.8	51,540,456.4
3. Total Effects	197,594,126.3	1,815,208	71,714,783.0	97,563,212.0
4. Multipliers (3/1)	2.325	2.174	1.900	2.120
III. COMPOSITION OF GROSS STATE PRODUCT				Gross Domestic Product (000\$)
1. Wages—Net of Taxes				60,882,646.8
2. Taxes				14,228,073.2
a. Local				2,183,597.5
b. State				2,146,588.2
c. Federal				9,897,887.5
General				2,208,938.9
Social Security				7,688,948.7
3. Profits, dividends, rents, and other				22,452,492.1
4. Total Gross State Product (1+2+3)				97,563,212.0
IV. TAX ACCOUNTS		Business (000\$)	Household (000\$)	Total (000\$)
1. Income—Net of Taxes		60,882,646.8	71,714,783.0	132,597,429.8
2. Taxes		14,228,073.2	14,448,587.5	28,676,660.7
a. Local		2,183,597.5	1,637,118.3	3,820,715.8
b. State		2,146,588.2	1,758,134.2	3,904,722.4
c. Federal		9,897,887.5	11,053,335.0	20,951,222.6
General		2,208,938.9	11,053,335.0	13,262,273.9
Social Security		7,688,948.7	0.0	7,688,948.7

Note: Detail may not sum to totals due to rounding.

*Terms: Direct Effects --the proportion of direct spending on goods and services produced in the specified region.
Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.
Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

SUMMARY EXHIBIT 3

Economic and Tax Impacts of Federal Historic Tax Credit Investment on the Nation

Fiscal Year 2008 (\$3,636.3 Million)

	Economic Component			
	Output (000\$)	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
I. TOTAL EFFECTS (Direct and Indirect/Induced)*				
1. Agriculture	47,205.5	141	3,395.4	9,875.9
2. Agri. Serv., Forestry, & Fish	32,519.5	284		
3. Mining	108,845.4	544	29,119.6	52,260.9
4. Construction	1,609,424.8	20,648	952,203.9	1,157,167.7
5. Manufacturing	2,542,910.4	13,586	602,856.8	965,461.4
6. Transport. & Public Utilities	378,409.6	2,327	99,208.6	179,007.4
7. Wholesale	283,846.9	1,981	115,427.0	119,695.4
8. Retail Trade	372,939.1	7,022	137,280.5	211,704.7
9. Finance, Ins., & Real Estate	453,178.6	2,405	161,047.7	282,965.8
10. Services	1,021,547.6	9,625	463,054.8	471,575.3
11. Government	30,714.1	216	9,302.5	14,533.3
Total Effects (Private and Public)	6,881,541.6	58,780	2,584,059.4	3,485,479.2
II. DISTRIBUTION OF EFFECTS/MULTIPLIER				
	Output (000\$)	Employment (jobs)	Income (000\$)	Gross Domestic Product (000\$)
1. Direct Effects	3,635,626.7	33,522	1,614,659.6	2,009,579.6
2. Indirect and Induced Effects	3,245,914.8	25,258	969,399.8	1,475,899.6
3. Total Effects	6,881,541.6	58,780	2,584,059.4	3,485,479.2
4. Multipliers (3/1)	1.893	1.753	1.600	1.734
III. COMPOSITION OF GROSS STATE PRODUCT				
				Gross Domestic Product (000\$)
1. Wages—Net of Taxes				2,176,414.7
2. Taxes				538,970.6
a. Local				136,302.6
b. State				106,613.0
c. Federal				296,055.0
General				77,514.1
Social Security				218,540.9
3. Profits, dividends, rents, and other				770,094.0
4. Total Gross State Product (1+2+3)				3,485,479.2
IV. TAX ACCOUNTS				
		Business (000\$)	Household (000\$)	Tota (000\$)
1. Income—Net of Taxes		2,176,414.7	2,038,329.4	cell blank
2. Taxes		538,970.6	414,047.4	cell blank
a. Local		136,302.6	45,263.3	181,565.9
b. State		106,613.0	54,618.2	161,231.2
c. Federal		296,055.0	cell blank	cell blank
General		77,514.1	314,165.9	cell blank
Social Security		218,540.9	0.0	218,540.9

Note: Detail may not sum to totals due to rounding.

*Terms: Direct Effects --the proportion of direct spending on goods and services produced in the specified region.
 Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.
 Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Explanation of Division-Level Economic Impacts Specified in the Current Study

The economic divisional-level results specified in the current study (Summary Exhibits 2 and 3) include the following sections explained below.

Section I – Total Effects

Total effects by division including both direct and multiplier (indirect and induced) effects.

Section II – Distribution of Effects Multiplier

- II.1 Sum of all division direct effects
- II.2 Sum of all division multiplier (indirect and induced) effects
- II.3 Total effects (the sum of II.1 and II.2)
- II.4 Multiplier ratio of total effects (II.3) divided by direct effects (II.1)

Section III – Composition of Gross State Product

This comprises:

- III.1 Wages that are Net of taxes paid at the employer’s location;^a
- III.2 Taxes—local state and federal; and
- III.3 Profits, dividends, rents, and other—which depending on the year of the GDP data used in the analysis, geography, and sector involved can be either positive or negative.
- III.4 Total gross state product (sum of III.1, III.2, and III.3)—the latter is from the firms (or “business”) expenditure accounts.

Section IV – Tax Accounts

The sum of taxes remitted by both business (see Section III) and households (where the latter are not included in the section III gross state product) accounts. Section IV encompasses for both business and households:

- IV.1 Wages—Net of taxes at place of work (for business) and place of residence for non in-commuting households.
- IV.2 Taxes by level of government (local, state, and federal) and type (e.g., for federal—general and social security). Note: the taxes in Section III are for business only while taxes in Section IV include the business taxes from Section III and add as well household-generated taxes.

^a Wages—Net of taxes are not the same as “income” (shown in Section I) for income includes wages, salaries, proprietor’s income, and employer-paid taxes.

The Historic Tax Credit Coalition

Michael Hanson

Email: hanson@thec2group.com

P 202.567.2905

F 202.393.7887

Liberty Place

325 7th Street NW

Suite 400

Washington, DC 20004



RUTGERS

Edward J. Bloustein School of Planning and Public Policy

Rutgers, The State University of New Jersey

Civic Square Building

33 Livingston Avenue

New Brunswick, NJ 08901

732-932-5475

Web: policy.rutgers.edu

Email: ejb@policy.rutgers.edu