



The New Markets Tax Credit Issue

Republican Sweep Changes Landscape for Community Development Tax Incentives

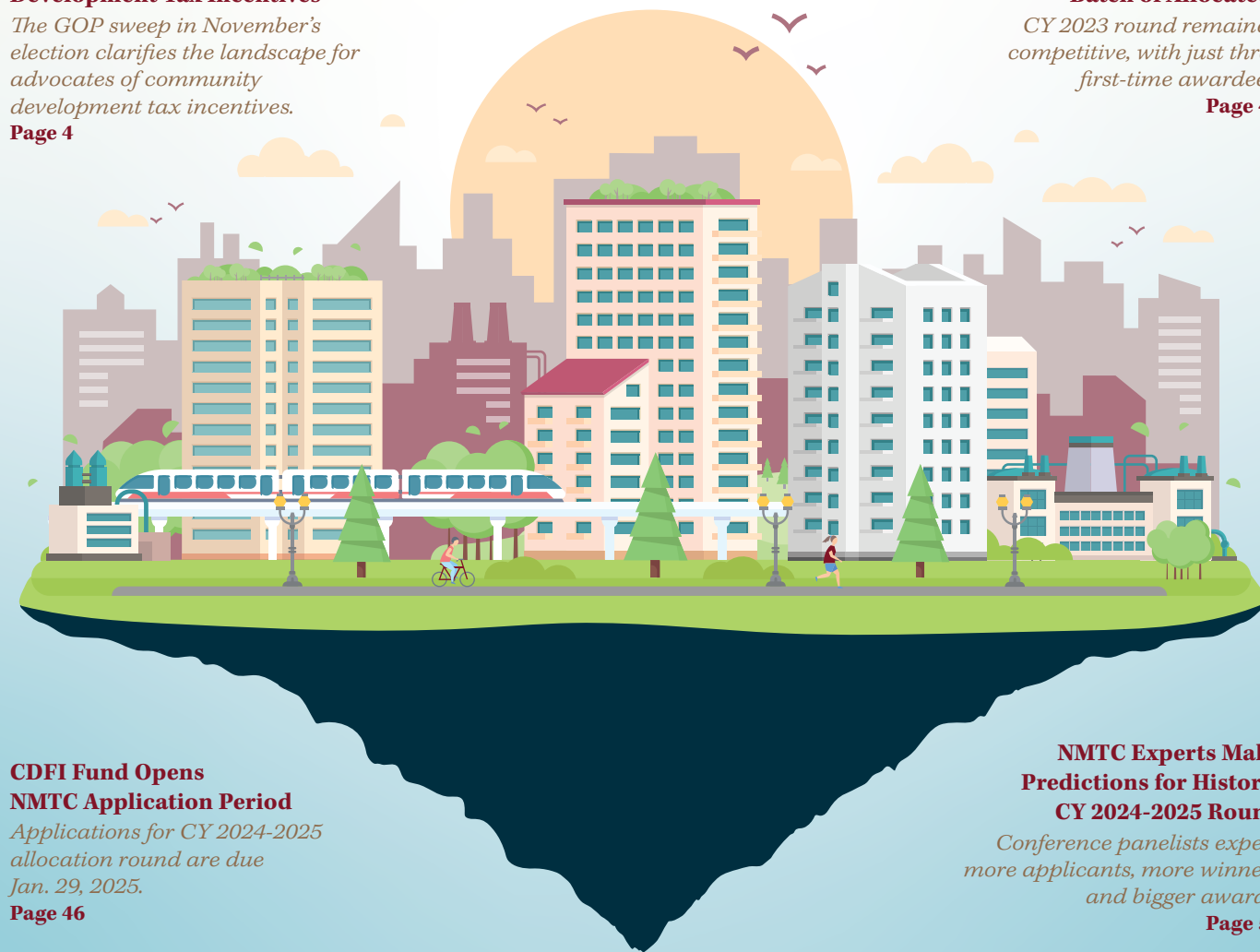
The GOP sweep in November's election clarifies the landscape for advocates of community development tax incentives.

Page 4

NMTC Application Process Remains Steady, Says Latest Batch of Allocatees

CY 2023 round remained competitive, with just three first-time awardees.

Page 48



CDFI Fund Opens NMTC Application Period

Applications for CY 2024-2025 allocation round are due Jan. 29, 2025.

Page 46

NMTC Experts Make Predictions for Historic CY 2024-2025 Round

Conference panelists expect more applicants, more winners and bigger awards.

Page 51

Looking Ahead to 2025: An Interview with Patrick Robertson of the Historic Tax Credit Coalition



CINDY HAMILTON, HERITAGE CONSULTING GROUP

The historic tax credit remains the country's most impactful preservation tool and one of its most effective community revitalization programs. The incentive encourages private-sector investment, creates jobs and allows for buildings important to the historical and architectural makeup of a community to return to active commerce and remain in use. Translated into data, over the past 48 years, the program has leveraged more than \$235 billion in private investment, created more than 3.2 million jobs and allowed for more than 49,000 completed rehabilitation projects that continue to contribute to the character of communities across the U.S, according to the National Park Service (NPS).

Despite the well-established success of the program, advocacy remains essential. The credit has not been meaningfully improved since 1986. In recent years, the federal HTC lost as much as a quarter of its value as a source of project finance and it faces significant headwinds with the expansion of other tax credits. The Historic Tax Credit Coalition (HTCC) is optimistic that legislative improvements are within reach. The HTCC intends to hit the ground running in 2025 and will advocate for the introduction of new legislation by HTC champions, building on this Congress' Historic Tax Credit Growth and Opportunity (HTC-GO) Act.



Image: Courtesy of Patrick Robertson
Patrick Robertson, executive director of the Historic Tax Credit Coalition.

We recently sat down with Patrick Robertson, executive director of the HTCC, for a look ahead.

Q. What is the tax landscape for 2025 and what is the HTCC planning to do?

A. House Ways and Means Committee Chair Jason Smith, R-Missouri, has called 2025 “the Super Bowl of tax.” With many of the 2017 Trump tax provisions expiring, there will be an almost \$5 trillion tax increase if Congress does not act to extend those tax cuts for individuals and businesses. As a result of the Republican sweep of the House, Senate and White House, they will be able to use a process called budget reconciliation in the Senate to bypass the 60-vote threshold for a filibuster.

With unified Republican control, we expect efforts to largely extend most if not all of the 2017 policy with the opportunity to broaden some provisions as well. In doing so, Congress may also look to repeal some tax items,

such as green energy tax credits or other Democratic priorities, to help pay for some of the tax cut extensions. While this process will look similar to 2017, there will be differences as well.

For the HTC, this offers threats and opportunities. As an industry, we will need to continue to work with our champions to demonstrate that the HTC is a vital economic development tool that preserves our shared history. At the same time, we have a chance to make once-in-a-generation improvements to the credit.

Republicans have said they want to finish the tax bill early in 2025. We expect to see the beginnings of action on tax before the end of the year and the procedural mechanism for budget reconciliation in early 2025.

Q. The earliest iteration of HTC-GO Act was introduced in Congress more than a decade ago. Since then, significant progress has been made in securing new champions and educating officeholders and the HTCC anticipates a new bill in the 119th Congress, which will convene in January. What do you anticipate will be the similarities and differences from earlier versions?

A. A lot of the provisions of the current HTC-GO Act bill are very popular. Eliminating the basis adjustment would make the credit easier to use, provide more value to projects, and eliminate any Internal Revenue Code Section 50(d) income issues. Finally, and most importantly, it would make it easier to pair the HTC with the low-income housing tax credit. There is also broad support for the nonprofit provisions in the bill, as well as for an incentive for rural and small projects. At the same time, the coalition and our Congressional champions are evaluating whether all the provisions have the same support and whether there are new ideas that warrant pursuing.

One provision that may not be in a new bill is expansion of the credit on a temporary basis to 30%. This idea was borne out of the pandemic to try and jump-start smaller projects. It was never in both the House and Senate

versions of the bill, and as the pandemic real estate stall eased, many of the coalition's members have asked us to look at other ideas with Congress.

Q. Can you speak to what you have heard from HTCC members regarding what priorities they would like to see put forth in legislation in the next Congress?

We surveyed our members over the past year, and the No. 1 issue we hear about from the HTC stakeholder community is returning to a one-year credit. While the compromise in 2017 to move to a five-year credit saved the HTC from repeal, it has made the market very difficult, especially in light of improvements to many of the energy credits. We have asked our Congressional champions to support returning to one year and we are cautiously optimistic they will do so.

Q. With the retirement of our longtime champions, Rep. Earl Blumenauer, D-Oregon, and Sen. Ben Cardin, D-Maryland, the HTCC has been working to identify new champions for legislation. Who has been identified to carry the torch?

First, our Republican champions have already indicated they intend to continue supporting the HTC. The industry gathered recently with Rep. Darin LaHood, R-Illinois, and Sen. Bill Cassidy, R-Louisiana, at conferences this fall and both said they want to continue championing the HTC. We are working with those offices to find Democratic partners to ensure the HTC has the same level of support it has always enjoyed in Congress.

Q. We have experienced strong bipartisan support for the HTC over the years. Do you expect that to continue? What will be the challenges and opportunities in the next Congress?

It is possible that a tax bill will pass Congress with only Republican votes in 2025. Even so, the HTCC and our Congressional champions are committed to keeping the HTC a bipartisan issue. While tax reform in 2017 was a Republican-only effort, Democrats spoke in favor of saving the HTC. And when Democrats included HTC

improvements in their early draft of the Build Back Better Act, Republicans also spoke in favor of those provisions. While the final votes may be partisan, the HTC continues to show broad, bipartisan support.

Q. The HTCC is standing up a new Developers Council under the leadership of its current chair Forrest Milder and the coalition board. Can you explain the idea behind that group and why they will play an important role in the coming year?

Developers are the key to understanding the HTC. Unlike other credits, there are not very many repeat HTC developers, but those that use the program over and over really bring great perspective and an unmatched understating of the credit. As a result, we wanted to create a forum where developers can get together, discuss threats and opportunities to the credit, get the latest on the tax debate in Washington, and work together to advocate for improvements to the credit.

Developers also often have key relationships with Members of Congress and their staffs, and we want to be sure tax writers are hearing about the HTC as the tax debate kicks into high gear. We are thrilled that Joshua Jeffers from J. Jeffers & Co. has agreed to lead this Developers Council and look forward to including any HTC developer who is interested.

Q. The HTCC has made significant efforts to broaden its membership base and bring new faces to the table. Why is it important to expand the coalition and why should industry stakeholders consider joining?

A. Anyone who cares about the future of the HTC should be a coalition member. We are the only group focused exclusively on advocacy to improve the HTC. Beyond

our Congressional lobbying and state-level advocacy, we provide educational programs on hot topics, work with other groups to advocate for program improvements, work with the program's regulators to make improvements and provide an industry forum for members. Our 2023 report on the industry, compiling the experiences of our members and including our recommendations, has been cited and relied on by both government officials and tax-exempt entities that are active in our space. Our regular meetings with the NPS have led to educational programs and more frequent publication of guidance, as well as a "priority guidance list" of anticipated future items.

Q. How can each of us play a role in educating members of Congress about the importance of the HTC as a community revitalization tool?

A. The coalition is launching "Rehab the HTC: 1,000 actions in 100 days," to reach out to members of Congress and ask them to make the first meaningful improvements to the program in decades. If you're a member of the HTCC, you will be hearing a lot more about this in the coming days and weeks. If you're not, come join us in advocacy. Without active engagement from our community, the HTC will likely be a casualty of the tax and budget debate. ❖

Patrick Robertson is the principal of Confluence Government Relations, a full-service government affairs and business advisory firm based in Washington, D.C. Since 2009, Robertson has served as the government relations consultant for the HTCC, engaging with members of Congress and the various presidential administrations on the importance of the HTC as a job creator and economic development tool. Robertson oversees the day-to-day operations of the HTCC and assists in strategic planning and the development of legislation to continue to improve upon and expand the HTC.

Cindy Hamilton is president of Heritage Consulting Group.

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