GUEST COMMENTARY HISTORIC TAX CREDIT PROGRAM SHOULD STAND

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At a time when the state is looking for revenue streams, the state's historic tax credit program warrants careful consideration as a tool for economic growth that is generating new tax revenue, job creation and building developments.

Unfortunately, the state's proposed budget bill includes provisions that would significantly limit the amount of credits available and curtail the program's overall economic impact.

The program's impact is significant. Credits issued to development projects between 2014 and 2016 are projected to generate more than $600 million in economic output, more than $90 million in new state tax revenue, and generate more than 10,000 new construction jobs.

A REPORT issued by Baker Tilly details the historic tax credit's economic impact in Wisconsin, including the numbers referenced above. The report analyzed 118 projects that filed for historic tax credit applications from 2014-16 and are expected to be completed and receive final approval for the credit.

Provisions in the proposed budget bill would cap available credits at $10 million and include a job-creation requirement on individual projects. Neither of those restrictions are needed for a program that provides a low-risk, high-return opportunity for the state.

Capping the program will likely harm smaller projects in small communities and deter owners from investing in those places that have the greatest difficulty of attracting investment. Only larger developers will invest the time and additional expense of applying for a capped program leading to more money to larger cities and larger projects.

WITH NO cap over the past three years, the trend has been for more small communities to benefit from historic tax credit projects. In 2016, 67 percent of all such projects were in communities with populations less than 100,000, up from 46 percent in 2015 and 39 percent in 2014, according to the Baker Tilly report.

Additionally, the report indicates that within four years of a property becoming operational after construction, the credit is fully repaid to the state. Over a 10-year period, the state stands to gain an estimated $187.75 million in net tax revenue from the projects reviewed in the report.

A cap would prove to be an unnecessary and burdensome restriction for projects that pay back their total state investment in four years.

A JOB requirement is also unnecessary. Although the Historic Tax Credit is a proven community development tool, it is not necessarily a job creation program. Development projects that utilize the credit do indeed produce jobs, but most of these are construction jobs. According to the Baker Tilly report, nearly 11,000 full-time construction jobs will have been generated on projects from 2014 to 2016, and nearly 5,000 full-time jobs created once those projects are operational after construction.

Perhaps the most significant aspect of the current program is that it provides a low-risk, high-return opportunity for the state. Historic tax credits are not an expense to taxpayers until all construction is complete and a project is placed in service. This means the state is receiving tax revenue on its investment well before a credit is claimed. Roughly $61 million of state tax revenue is estimated from direct construction activity alone, according to the Baker Tilly report.

The numbers tell a significant story about the value of Wisconsin's historic tax credit program, both in terms of economic development and return on investment to the state. All of which says it's a good deal for the state and should remain in place, unchanged.

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