

Dear Chair Brewster and Members of the Revenue Interim Committee,

I am writing to ask for your support in modernizing Montana's Historic Preservation Tax Credit. This proven economic development tool helps revitalize historic buildings, strengthen local economies, and encourage private investment in communities across Montana.

Since 1997, approximately \$196 million has been invested into buildings in the state with use of the historic tax credit, at a cost of just \$9.8 million to Montana taxpayers (an average cost of only \$350,000 per year). An estimated \$1.50 was returned to the state treasury in local and state taxes for every \$1 of the credit. These 72 projects in 19 Montana communities have created housing, supported small businesses, restored community spaces, and revitalized downtowns.

Historic rehabilitation projects are often difficult to finance, and stakeholders consistently report that the historic tax credit is critical to making projects financially feasible. However, Montana's current 5% credit is the lowest in the nation and, coupled with its lack of transferability, makes the tax credit no longer competitive.

I encourage the Committee to support two important updates:

- Increase the credit from 5% to 20% to better support rehabilitation projects and economic growth.
- Allow transferability of the credit to encourage greater investment in Montana communities.

I am a tax attorney that for the past ten years has specialized in low-income housing development in the mountain west that utilizes, in part, the Federal Low Income Housing Tax Credits, Federal Historic Tax Credits, and the Montana Historic Tax Credit. In my practice, I have seen the limitations inherent in the Montana Historic Tax Credit. In its current rendition, the Montana Historic Tax Credit Statute requires that the credit is allocated for Montana tax purposes to the owners of the project in the same way that other items of income, gain and loss are allocated. As a result of this requirement, for projects that want to utilize the Montana Historic Tax Credit but are also relying on Federal Low Income Housing Tax Credits or Federal Historic Tax Credits, the Montana Historic Tax Credits must be allocated to the tax credit equity investor who is being allocated the Federal Tax Credits. In most cases, the Federal Tax Credit equity investors have little to no Montana source income, so the Montana Historic Credit provides them no benefit, so they do not provide any additional equity to the project. In the above scenario, the Montana Historic Credit adds no additional capital for the project.

The solution to this problem is to adopt the changes proposed by Preserve Montana that would allow the transferability of the Montana Historic Tax Credit. Permitting transferability would allow the project owner to uncouple for Montana tax purposes the Montana Historic Tax Credit from the Federal Credits and allocate the Montana Historic Tax Credit to an investor with sufficient Montana source income to generate actual equity for the project.

Modernizing the state historic tax credit will help preserve Montana's historic places while creating jobs, increasing local tax bases, and strengthening communities across the state.

* **Disclaimer** These are my personal views and not necessarily that of my employer or any of my clients.

Thank you for your consideration and service to Montana.

Sincerely,

/s/ Jason Harby