



Investing in Montana:

Rural Economic Development, Housing & Job Creation
Through a Modernized State Historic Tax Credit





Across Montana, historic buildings offer untapped opportunities for revitalization, economic growth, job creation and community stability. A key tool to unlock this potential is the state's Credit for Preservation of Historic Buildings.

Nearly 30 years old, the credit needs modernization. Compared to other states, it delivers a lower return on investment, leaving many viable rehabilitation projects unrealized, especially in rural Montana.

A straightforward fix: increase the credit to 20%—in line with other states—and allow transferability.

In 2024, Preserve Montana issued a report on the benefits of the tax credit that confirmed broad support for modernizing it. This effort stems from that work.

By investing in a modernized tax credit, we are investing in Montana's heritage today, for tomorrow.

Jenny Buddenborg, Exec Director

Executive Summary

Historic Tax Credits Are a Proven Economic & Community Investment Strategy

The Montana historic tax credit is a critical tool in the revitalization of historic buildings and communities, bringing a strong return on investment to the state with minimal taxpayer expense.

Since the Montana historic tax credit was established in 1997, **an estimated \$9.8 million in state historic tax credits and \$39.2 million in federal historic tax credits have leveraged \$196.2 million in private investment for 72 projects in 19 Montana communities.**¹ There are currently 15 projects in progress representing at least an estimated \$96 million in current and future investment.²

The tax credit has helped transform communities across Montana. In Billings, projects in the downtown railroad district revitalized a once-blighted area into a vibrant destination. In Eureka, a renovation created a much-needed community gathering space and event center. And in Kalispell, a small business owner's Main Street project filled vacant storefronts and boosted downtown activity.

The tax credit program has many strengths, but it also has some weaknesses. It is poised to benefit from years of experience and evolve to meet Montanans' needs today.

THE OPPORTUNITY: Increase the number of revitalized historic commercial properties and their return on investment to the state of Montana and its people.

THE OBSTACLES:

- Limited project feasibility with low 5% tax credit.
- Many investors do not have enough tax liability.
- Majority of projects in more densely populated cities.

THE SOLUTION:

1. Increase the tax credit to 20%.
2. Allow for transferability.

Meeting the Needs of Montanans

From small commercial buildings to multi-unit residential buildings, theaters, hotels, train depots and more, the state historic tax credit preserves and revitalizes a diverse array of Montana’s cultural heritage. It does so while also meeting important community needs like affordable housing, rural economic development, and energy conservation. Critically, the tax credit empowers the private sector to save and reinvest in vacant or underutilized structures at risk of demolition and bring economic growth to small business owners and local communities.



⇒ A Strong Return on Investment

Over the last 28 years, \$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 taxpayers³ (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.⁴ The tax credit is only awarded after projects are completed—and money has been permanently invested into the state—resulting in tangible economic and community growth.

⇒ Increasing the Tax Base in Communities Small and Large

Tax credit projects substantially increase the property taxes received by local and state governments, as many renovations improve buildings that are unused or in dilapidated condition. For example, the 2025 Dion Block rehabilitation in Glendive increased the property value by 22%. The Thornton Hospital Building in Missoula saw a 45% increase in property value following its rehabilitation and reuse as apartments in 2023.

⇒ Revitalizing Neighborhoods and Downtowns

The Borden Hotel tax credit project revitalized downtown Whitehall: “An important benefit was to improve the downtown vitality by reducing the blight of an old unused building. It also helped restore downtown traffic since the adjacent lot and three buildings were lost in a fire.” - *Tom Harrington, Jefferson Local Development Corporation*

⇒ Expanding Housing Stock

Since 2020, \$30 million of private investment in historic tax credit projects created 195 housing units since 2020 at a cost of \$1.5 million to taxpayers.⁵ This includes affordable housing, most recently seen in the rehabilitation and reuse of the Baatz Block in Great Falls where 25 permanent supportive housing apartments were created—the first of their kind in the city.

⇒ **Supporting Environmental Stewardship by Investing in Existing Infrastructure**

Building and material reuse avoids 50-75% of the embodied carbon emissions that an identical new building would generate and reduces the landfill waste generated by demolition, which averages to 155 pounds per square foot.⁶ Reuse also helps protect Big Sky Country by preventing urban sprawl and the development of agricultural land.

⇒ **Creating Jobs**

An estimated 1,950 full and part-time jobs were created by projects from 2001 through 2024.⁷ The construction, manufacturing, service and retail industries received the most new jobs.⁸ In addition, a 2014 study by the National Trust for Historic Preservation shows that in many cities, older, smaller buildings provide the majority of spaces for small businesses.

⇒ **Retaining the Unique Cultural Heritage of Montana’s Communities**

“Historic buildings have a sense of rooting a community, keeping alive the history of our predecessors. Historic reference doesn't stifle advancement; it gives it a base from which to grow. New and flashy just doesn't have the same depth and strength.” – *Anonymous, property developer and historic tax credit investor*



“It was a dead zone in downtown Whitehall...probably in another year or two [the Borden] would have been torn down...Occupation has been 100% since it opened...it wouldn’t have been feasible without the tax credit.” After the renovation, “neighboring businesses started upgrading their buildings...it’s pretty vibrant down there now.” -Tom Harrington, Jefferson Local Development Corporation

The project “helped revitalize part of downtown, brought more activity downtown and restored the history of previously great structures that sat vacant for years.” – *Mac Smith, property owner and developer of the Arvon Block, Great Falls*



Historic Tax Credits in Action

L&L BUILDING| Billings



PROJECT IMPACTS

- Built 1896 as store and lodging
- Reuse as offices
- Renovation completed 2008
- Project Cost: \$647,138
- FEDERAL TAX CREDIT: \$129,427
- STATE TAX CREDIT: \$32,356

The state and federal historic tax credits were *absolutely* critical to the financial feasibility of this project. Without the tax credits, which we used as an incentive to attract private equity, we would not have been able to finance the project. – Randy Hafer, FAIA, LEED AP, architect and property developer

Dion Block| Glendive



PROJECT IMPACTS

- Built 1886-1929 as bank, dance hall, and business space
- Reuse: commercial space
- Renovation completed 2025
- Project Cost: \$980,000
- FEDERAL TAX CREDIT: \$196,000
- STATE TAX CREDIT: \$49,000

“Our efforts have made a substantial impact on the aesthetic of Glendive's historic district and allowed the Dion Block to remain an economic hub of the downtown area...Without the tax credit program, it would have been almost impossible to have completed the rehabilitation of the Dion Block...We firmly believe that having an inviting and well maintained downtown area is critical to expanding tourism.” – Angela and Kevin McPherson, property owners and developers

Where the Montana Historic Tax Credit Falls Short

Despite the enduring impacts of the tax credit in the last three decades, Montana lags other states in three areas, limiting the potential of the system to produce stronger benefits for the economy and our communities.

◆ Majority of Projects in Urban or More Heavily Populated Areas

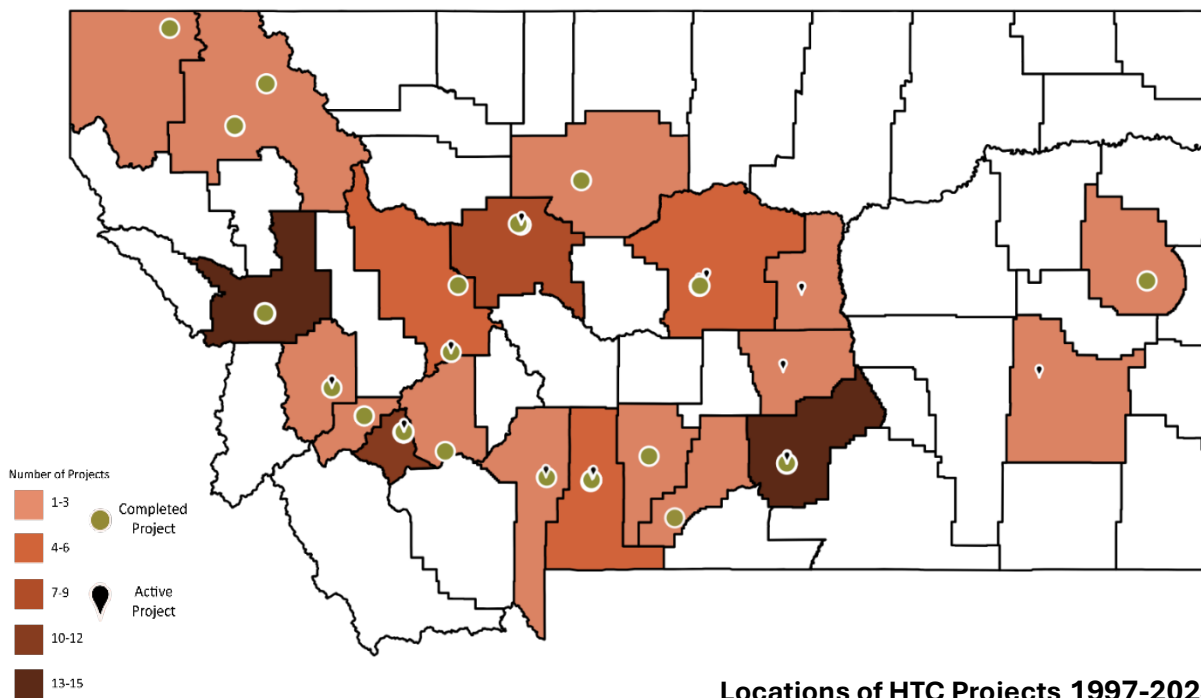
Historic tax credit projects are predominately located in Montana’s urban areas. Twenty of Montana’s 56 counties have active and completed tax credit projects, including 10 of 12 urban counties. Thirty-four of the thirty-six counties without a project are rural.⁹ See map below.

◆ No Option to Transfer State Tax Credits

Without an option to transfer credits, many tax credit users are unable to fully utilize the credit, making it less appealing as an incentive and limiting potential rehabilitations. As well, many tax credit applicants do not have enough tax liability. This is indicated by the low claimed to used ratio of the state tax credit, which averages 40% over the life of the program.¹⁰

◆ Current 5% Rate Does Not Adequately Fill Development Gaps and Spur Investment

Building construction and rehabilitation projects are complex, and every dollar counts in making a project viable, as reported by respondents to our 2024 historic tax credit survey (see QR code at end of this report for full report). Often, the 5% of the Montana credit can make or break a project’s finances; more often, it breaks it because it is too low.

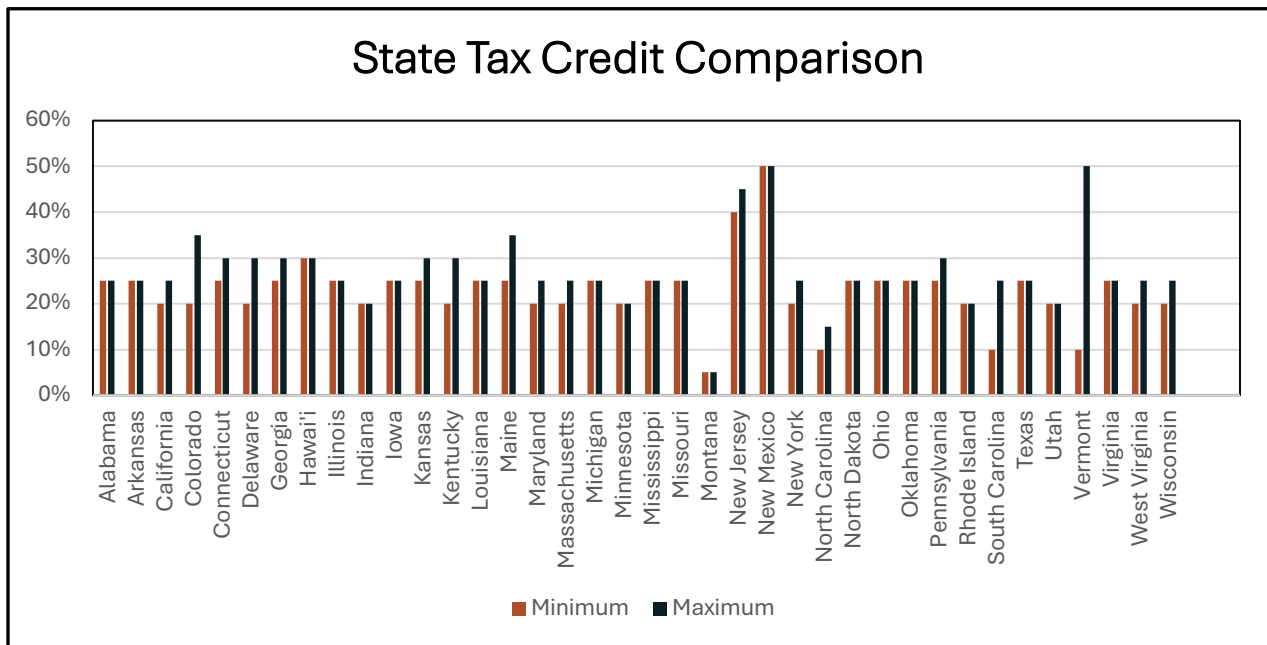


It's Time to Modernize the Montana Historic Tax Credit

The Montana historic tax credit is the **4th oldest** state historic tax credit program in the country. It needs to be updated to meet the modern needs of Montana's people, economy and communities. This can be accomplished in the following two ways.

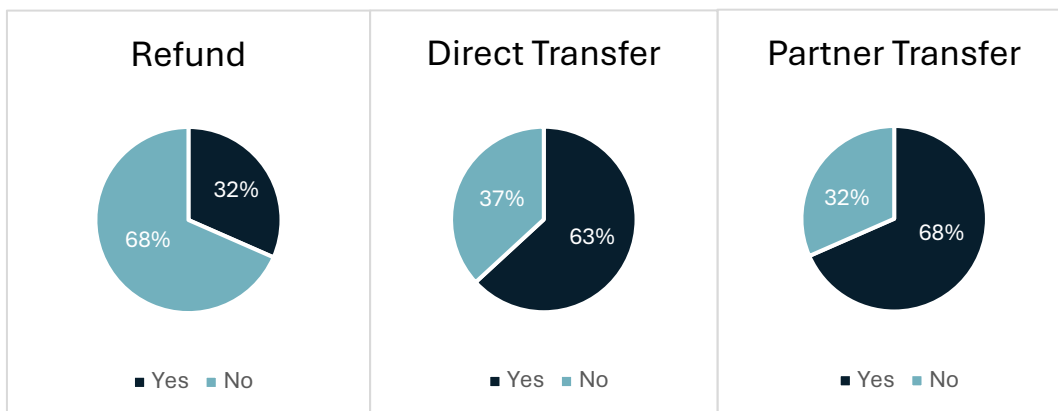
⇒ Increase Credit to 20%

At 5% of QREs, the Montana historic tax credit is the lowest state credit in the nation. Montana's credit is one of two that does not match or exceed the federal historic tax credit. A move from 5% to 20% would put Montana in line with most other states, match the Federal historic tax credit, greatly increase the financial feasibility of projects, and help meet social needs like housing and downtown revitalization in distressed cities and towns.¹¹



⇒ Make Credit Transferable

Limitations on the Montana historic tax credit's transferability restrict its use and reduce feasibility of building rehabilitation projects and their benefits to Montana communities. Providing one or multiple transfer options would solve this problem. Thirty-three of 38 states with historic tax credits allow for some form of transferability. An example of tax credit transferability is already allowed in Montana with the Montana Media Production Credit (Media Credit) and provides a model for the Montana historic tax credit.



Percentage of states with historic tax credits and tax credit transferability options.

Active Historic Tax Credit Projects

Name of Project	Address	City	QREs (Estimated)
Baatz Block (now complete)	400-402 2nd Ave South	Great Falls	\$11,309,000
Billings Masonic Temple	2806 Third Ave. N	Billings	\$3,850,000
Clancy Building	2710 and 2710 1/2 Minnesota	Billings	\$330,000
Curtis Music Hall	15 West Park Street	Butte	N/A
Finlen Hotel	100 E Broadway	Butte	\$2,750,000
Franklin School	820 1st Ave SW	Great Falls	\$2,446,976
KPRK Radio	5576 US Highway 89	Livingston	\$750,000
Milligan Building (now complete)	601 Main St	Miles City	\$20,000,000
Petroleum County Courthouse	302 E Main St	Winnett	\$1,700,000
Rocky Mountain Building	601 Central Avenue	Great Falls	\$44,000,000
Roundup Central School	600 First Street West	Roundup	\$5,960,000
Thompson Block	101 N Main St	Livingston	N/A
Thornton Hotel	53 East Broadway Street	Butte	N/A
Stephens Hotel	118 W Montgomery St	Philipsburg	\$3,300,000
Waite House	316 3 rd Ave N	Lewistown	N/A

Read our 2024 report on the benefits of the Montana historic tax credit:



Visit our interactive StoryMap for more information:



¹ ‘Timely’ (submitted by tax deadline) corporate and individual Department of Revenue data from 1998-2024 combined with SHPO estimates for 2025. Numbers are conservative for DoR data given that ‘timely’ numbers are much lower than final counts. For example, from 2021-2024 where data is less complete, ‘timely’ to ‘actual’ changes 183%-8775%. From 2018-2020, numbers change from -4%-18%.

² Based on estimated Qualified Rehabilitation Expenditures (QRE) for projects in the tax credit process from Montana SHPO. Numbers are only available for 11 of the projects, so the estimated investment value is certainly higher than \$90 million. In-progress projects are not guaranteed to be completed.

³ This averages to \$350,000 a year over the life of the program.

⁴ National Trust for Historic Preservation, *Annual Report on the Economic Impact of the Federal Historic Tax Credit for Fiscal Year 2024*, (Washington D.C: 2024).

⁵ Not all the credit went to housing, as some projects were multi-use and included commercial space and a healthcare facility.

⁶ AIA. *Building Reuse: A Proven Climate and Economic Strategy*, 2024.; Washington State Department of Archaeology and Historic Preservation. *Sustainability and Historic Preservation*, 2011.

⁷ National Trust for Historic Preservation, *State Historic Tax Credit Resource Guide*, (Washington D.C: 2024).

⁸ National Trust for Historic Preservation, *Annual Report on the Economic Impact of the Federal Historic Tax Credit for Fiscal Year 2024*, (Washington D.C: 2024).

⁹ Rural is defined as noncore by the Census Bureau. Urban counties include Montana’s micropolitan and small metro designations.

¹⁰ This number is from Department of Revenue ‘timely’ data, so the actual rate is likely somewhat different.

¹¹ For comparison, if Montana had a 20% tax credit, it would have cost the state \$39.2 million over the last 28 years, rather than the estimated \$9.8 million, which would have returned \$60 million to the state over that period, rather than the \$15M actually returned.