

# Seeing our history through our tax policy

## The pending sunset of the Minnesota state historic tax credit

BY MEGHAN ELLIOTT

FOR THE BUILDING AND CONSTRUCTION INDUSTRY, 2021 feels a lot like 2010. The economic sluggishness of 2008 to 2011 led to a measurable slowdown of the economy and the construction industry. Minnesota lost 41 percent of its construction jobs, the worst in the nation. In 2021, we have similar concerns about our economy, jobs, and the fate of our commercial centers — from downtown cores to suburban and rural Main Streets. Also in 2021, just like in 2010, our state legislature will be debating a powerful financial incentive for building reuse and economic recovery: the Minnesota Historic Structure Rehabilitation Tax Credit — or the “Minnesota state historic tax credit.” In 2010, the Minnesota state legislature adopted the tax credit. But in 2021, the state will consider whether to extend the program or simply let it run out.

Tax credits have supported and helped expand the field of historic preservation with financial incentives for historic building reuse.

Federal legislation dates back to the Tax Reform Act of 1976, which was passed amid bipartisan concerns about the decline of our urban centers, the need for environmental conservation, and the relocation of corporate offices out of our downtown urban centers. Reusing historic buildings was considered an important piece of the solution to create thriving downtowns. Over the next two decades, the tax credit program continued to grow to support historic preservation and the renovation of buildings. The Revenue Act of 1978 strengthened the program. The wave of building reuse grew even more with the Economic Recovery Tax Act (ERTA) of 1981 — leading to the “preservation boom” of the early ’80s. The federal historic tax credit program we have today is substantially the result of the Tax Reform Act of 1986. It included a 20 percent tax credit for the reuse of buildings listed in (or eligible for listing in) the National Register of Historic Places (NRHP). Historic tax credits became a critical tool

for encouraging the retention of commercial historic buildings by private building owners: the private real estate industry became a growing steward of history through building reuse.

The federal historic tax credit proved to be such a powerful tool for building reuse that over 30 states have added similar incentives. In 2010, the state of Minnesota adopted a matching 20 percent credit for projects that qualify for the federal program. Since the state credit became available, 133 projects have been approved. These projects have generated an estimated \$3.3 billion (in 2019 dollars) of economic activity in the state, including the creation of nearly 18,000 jobs. And each of these buildings is now listed in the National Register of Historic Places.

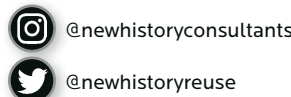
With over 51 projects, Hennepin County is home to more of these projects than any other county in the state. High-profile projects include the Dayton’s Department Store, Rand Tower, Pillsbury A-Mill, and Fort Snelling (see page 12 for article about one of the fort’s buildings helped by this tax credit). Housing, office, and commercial buildings have benefited from the program — like the Continental Apartments, Minneapolis Ford Plant (now offices), and the Buzza Building (now housing). Over the next few issues, we will feature stories on specific state tax credit-funded projects.

The expiration of the Minnesota state historic tax credit would be a significant loss to the retention of Minnesota history in its existing buildings. RevitalizeMN is leading the campaign to advocate for the extension of the Minnesota Historic Structure Rehabilitation Tax Credit in the 2021 state legislative session. RevitalizeMN is a coalition led by New History, Rethos, and Winthrop & Weinstine to bring nonprofits, policy advocates, industry professionals, and community members together to work to extend our state historic tax credit. For more information, visit [rethos.org/revitalizemn](http://rethos.org/revitalizemn).



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Rand Tower

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Pillsbury A-Mill

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