

# Our Speakers

Maximizing Your Investment: Combining Historic Tax Credits with Other Tax Credits and Complementary Incentives



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# HTCs and LIHTCs

# Federal Historic Rehabilitation Tax Credit

- / 20% Credit against Federal Income Tax liability
- / Calculated on Qualified Rehabilitation expenditures
- / Incentive to preserve and rehabilitate— NOT acquire
- / Credits are utilized easily by large corporate investors
- / Sophisticated market of investors for the credits
- / Real Estate developers/owners partner with corporate investors to monetize
- / Preservation aspects jointly administered by NPS and State Historic Pres. Offices (SHPOs)
- / Tax aspects administered by the IRS
- / Tax Credits = dollar-for-dollar reduction in tax liability (contrast to deduction)
- / RTC is the most important (in dollar volume) federal preservation program
- / Available in all 50 states, the Virgin Islands and Puerto Rico



# Qualifying Buildings

- / National Register Properties — individual or in district
- / Generally, at least 50 Years Old
- / Architecturally or historically significant
- / Role of the National Park Service

## Three Part Process

- / Part 1: Evaluation of Significance
- / Part 2: Description of Rehabilitation
- / Part 3: Request for Certification of Completed Work



# Qualifying for the Rehab Credit

## Option #1

Building is listed in the National Register of Historic Places

## Option #2

Building is located in a registered historic district and certified as being of historic significance contributing to the district

- / Must be a “building”
- / Building is defined as a structure or edifice enclosing a space within its wall and usually covered by a roof
- / Building must be depreciable



# Qualifying for the Rehab Credit

## Substantial Rehabilitation Test

- / 24 Month Test
- / 60 Month Test—Phased

## Standard Rehabilitation Test

- / Look back from placed in service date to basis in building 24 months prior or beginning of project, whichever is later
- / QREs must exceed prior basis or \$5,000, whichever is greater
- / Rolling 24-month window

## Phased Rehabilitation Test

- / Must have plans and specifications showing two or more phases prior to beginning construction
- / 60-month window
- / Otherwise, similar rules

# Combining HTC with other Credits and Financing Sources

Financing Source	Amount
Construction Loan	\$19,000,000
LIHTC Equity	\$9,000,000
HTC Equity	\$4,500,000
State LIHTC	\$3,000,000
State HTC Loan	\$2,000,000
Subordinate Debt	\$4,500,000

With regard to multifamily residential developments, no affordability restrictions are required for rehabilitation credits, although it is common for rehabilitation credits to be combined with LIHTC and loan programs imposing affordability restrictions.



# Qualified Rehabilitation Expenditures

## Includes costs related to:

- / Walls, partitions, floors ceilings
- / Permanent coverings such as paneling or tiling
- / Windows and doors
- / Air conditioning or heating systems, plumbing and plumbing fixtures
- / Chimneys, stairs, elevators, sprinkling systems, fire escapes
- / Construction period interest and taxes
- / Architect fees, engineering fees, constructions management costs
- / Reasonable developer fees

## Does NOT Include costs related to:

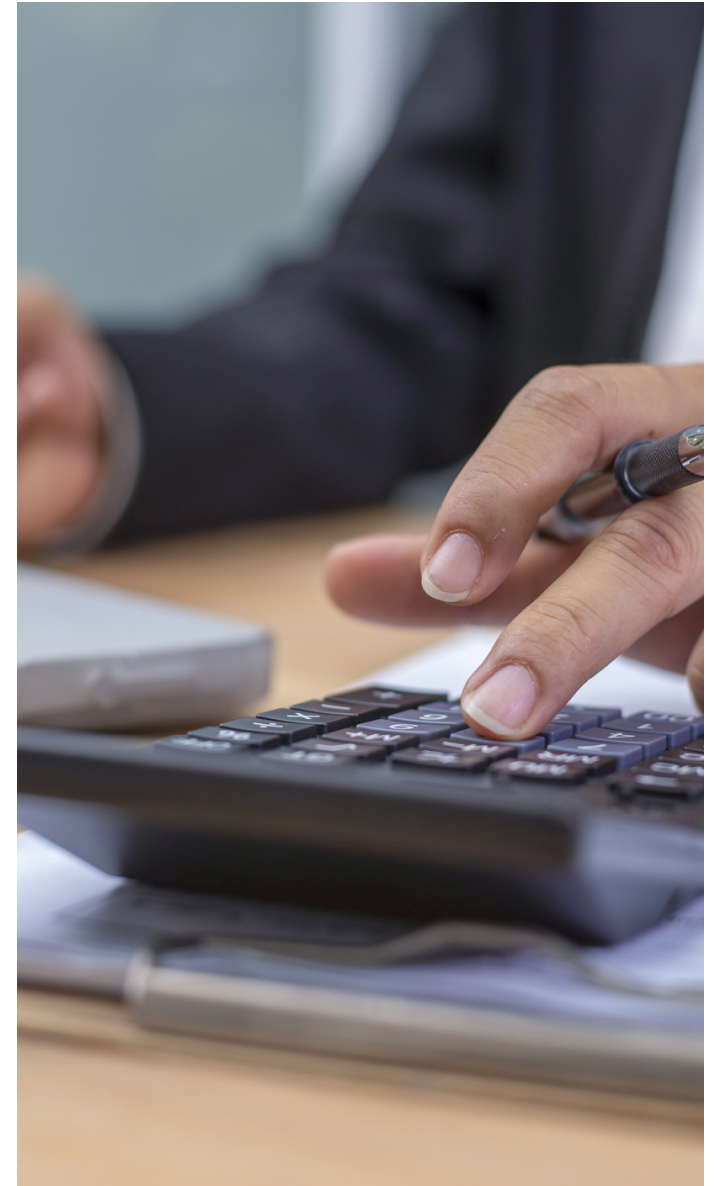
- / Land and interest carry on land
- / Building acquisition and interest carry on acquisition
- / Acquisition-related costs
- / Site improvements and landscaping
- / Enlargements and demolition
- / Personal property
- / Tax-exempt use property



# Compliance Period

## HTCs are subject to a 60-month compliance period, known as the Recapture Period

- / Dispositions during Recapture Period trigger claw back of HTCs, subject to vesting rules
- / Disposition includes any sale, transfer, gift or casualty
- / New work that does not comply with the secretary's standards can trigger recapture



# Background

- / Part of 1986 tax reform to encourage the construction and rehabilitation of affordable rental housing
  - / Administered by the Treasury Department and allocated by state agencies
  - / Contained in section 42 of the tax code
  - / Emphasis on private sector involvement (i.e. developing and managing properties)
- / Objective: to provide investor equity to lower debt service, thereby lowering rents
  - / Credit is a dollar-for-dollar tax reduction
  - / Credit amount based on the cost of constructing or rehabilitating housing developments

# Program Requirements

- / Minimum percentage of LIHTC units (20/50, 40/60/ 25/60 or average income\*)
- / Minimum 30-year affordability commitment
- / Maximum income limited for households renting LIHTC units
- / Maximum rents limited for LIHTC units
- / Projects subject to IRS and state regulation/compliance
- / 15-year compliance period, but a 10-year credit period

\* The consolidated appropriations act of 2018 permanently established the average income set-aside as an additional minimum set aside (more to follow)

# Project Evaluation

**Credit may not exceed amount state agency determines is necessary for feasibility and viability**

Agency must consider:

- / Sources and uses
- / Amounts expected to be generated by tax benefits
- / Reasonableness of development and operating costs

Evaluation occurs at the time of application, allocation and placement in service

# Applicable Percentage

4% credit vs. 9% credit – which percentage applies?

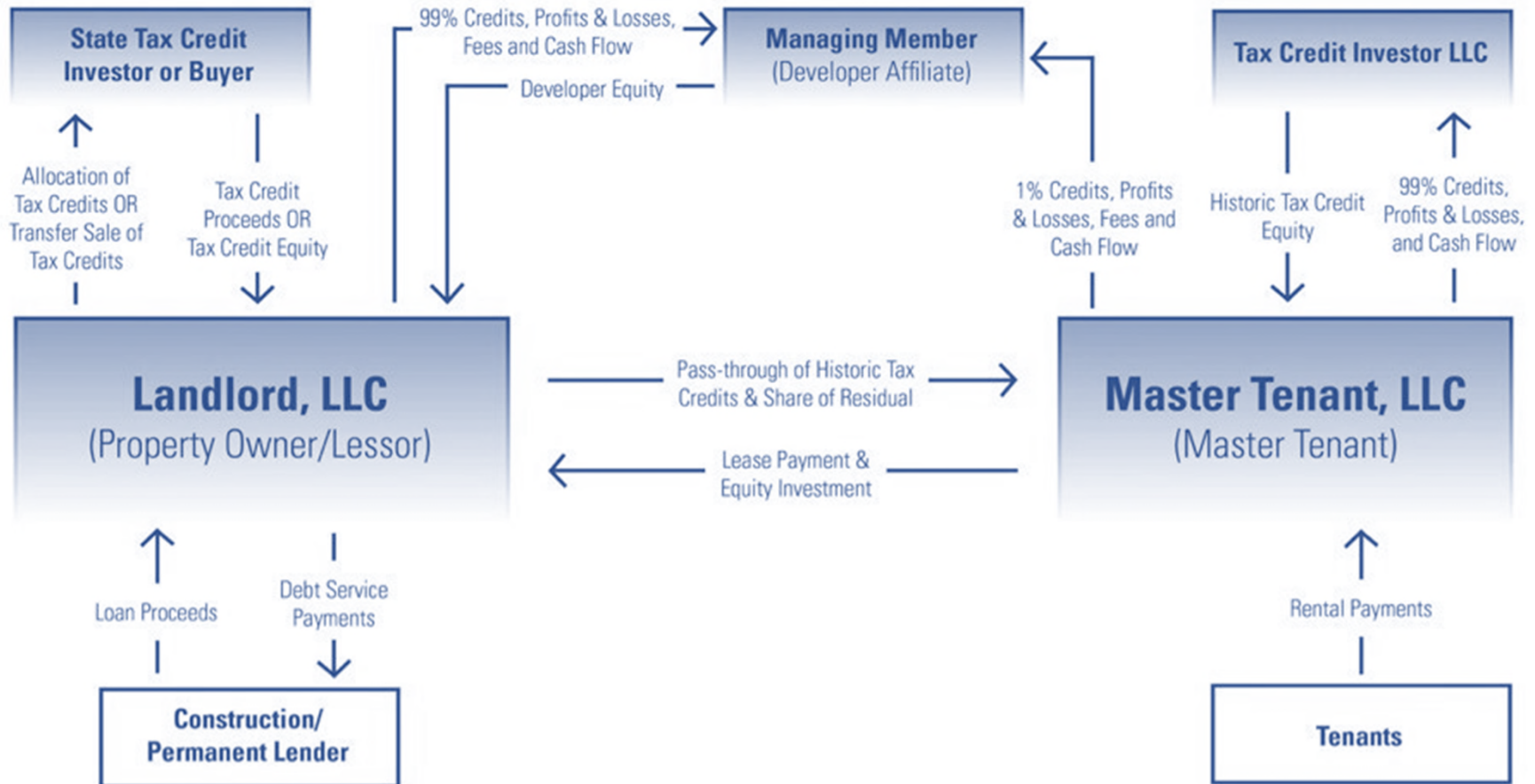
## 9% credit

Applies for new construction or substantial rehabilitation of properties not financed with tax exempt bonds

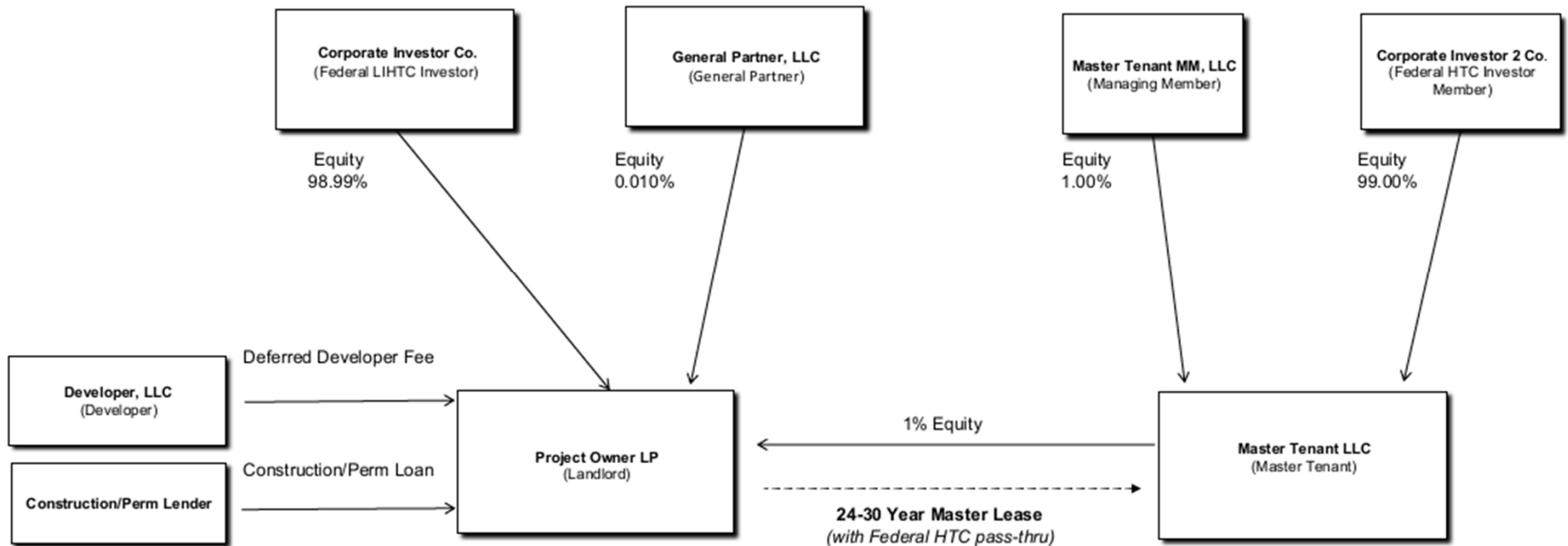
## 4% credit

Applies to the acquisition of an existing building (acquisition credits) and all new construction/substantial rehabilitation of properties financed with tax exempt bonds

# Lease Pass Through Structure (Master Lease)



# Sample Ownership Structure for LIHTC and HTC Rehabilitation Project



# Calculation of Tax Credit

	Federal Historic Credit	New Construction / Rehab Credit	Acquisition Credit	<b>NO LEASE PASS THROUGH</b> New Construction / Rehab Credit
Building Rehabilitation Costs	33,500,000	78,200,000	53,600,000	78,200,000
Add back Site Costs and Personal Property		1,175,000		1,175,000
Less: Historic Tax Credit				<b>(6,700,000)</b>
<b>Total Eligible Costs</b>		<b>79,375,000</b>		<b>72,675,000</b>
DDA/QCT Basis Boost Eligible Basis	100.00% 33,500,000	130.00% 103,187,500	100.00% 53,600,000	<b>130.00%</b> 94,477,500
Credit Rate	20.00%	4.00%	4.00%	4.00%
<b>Total Calculated Credit</b>	<b>6,700,000</b>	<b>4,127,500</b>	<b>2,144,000</b>	<b>3,779,100</b>
<b>Total LIHTC Credits</b>		<b>41,275,000</b>	<b>21,440,000</b>	<b>37,791,000</b>
% Allocated to Investor*	99.00%	99.98%	99.98%	99.98%
<b>Share Allocated to Investors</b>	<b>6,633,000</b>	<b>41,266,745</b>	<b>21,435,712</b>	<b>37,783,442</b>
Equity Factor	\$0.87	\$0.95	\$0.95	\$0.95
<b>Tax Credit Equity</b>	<b>5,770,710</b>	<b>39,203,408</b>	<b>20,363,926</b>	<b>35,894,270</b>

\*Investor Limited Partner will be entitled to 98.99% of profits/(losses) plus a special allocation of 0.99% of depreciation and real estate taxes

**3,309,138** Additional LIHTC Equity  
Creat Using Lease Pass Through



# Other Issues

## Development Fee

- / Amount must be reasonable
- / Payment Timing

## Fees paid to a related party

- / Example—property management fee subject to reasonableness

## Tax Exempt-Use Property

- / Check the tenants!!!

## Investor requirements:

- / Cost Certification
- / Annual audited financials required?  
Tax or GAAP basis?

## Refinance

- / During the Compliance Period
- / Cash Waterfall Planning

## Reserve requirements

## Contingency requirements

## Tax priority payments

- / Is 50(d) income and losses from the partnership considered when calculating these payments?



# HTCs and NMTCs

Section 45D



# New Markets Tax Credit

## Established as part of the Community Renewal Tax Relief Act of 2000

- / Designed to incentivize investment in businesses within communities that have traditionally lacked access to financing and capital markets (including rural communities).
- / Available in low-income census tracts (overlap with QOZ)

## NMTC Program made permanent in OBBBA

- / \$5 billion in annual allocation
- / 39% Federal tax credit earned over 7-year compliance period for an investor's qualified equity investment (QEI) into a qualified community development entity (QCDE) that has received an allocation of NMTCs from the CDFI Fund, if substantially all (or 85%) of the QEI is invested through a loan or equity into a qualified active low-income community business (QALICB) within 12-months of the date of the QEI

# NMTC Alphabet Soup

**QEI – Qualified Equity Investment**

**CDE– Community Development Entity**

**QCDE – Qualified Community Development Entity**

**QALICB – Qualified Active Low Income Community Business**

**QLICI – Qualified Low Income Community Investment**

**NQFP – Non-Qualified Financial Property**



# NMTC: What is a QALICB?

**QALICBs can be any corporation\* or partnership if ALL of the following conditions are satisfied:**

*\* including a nonprofit corporation*

- / At least fifty percent (50%) of the total gross income of such entity is derived from the active conduct of a “qualified business” within any Low-Income Community;
- / A substantial portion (at least forty percent (40%)) of the use of the tangible property of such entity (whether it is owned or leased) is within any Low-Income Community;
- / A substantial portion (at least forty percent (40%)) of the services performed for such entity by its employees are performed in any Low-Income Community (or, if the entity has no employees, eighty-five percent (85%) is substituted for forty percent (40%) under clause (ii) above);
- / Less than five percent (5%) of the average of the aggregate, unadjusted bases of the property of such entity is attributable to “collectibles” (other than collectibles held primarily for a sale to customers in the ordinary course of business); and
- / Less than five percent (5%) of the average of the aggregate, unadjusted basis of the property of such entity is attributable to “nonqualified financial property” (the “NQFP Test”).



# NMTC Capital Stack Example

**Nonprofit has \$9,000,000 project planned (construction of new health clinic)**

**Nonprofit needs to bring \$7,000,000 to the project through a mix of debt, equity, and cash**

/ Could be funded through a loan from a bank, CDFI, or foundation

/ Loan could be secured by charitable pledges, mortgage on other property, and/or assignment of leverage loan

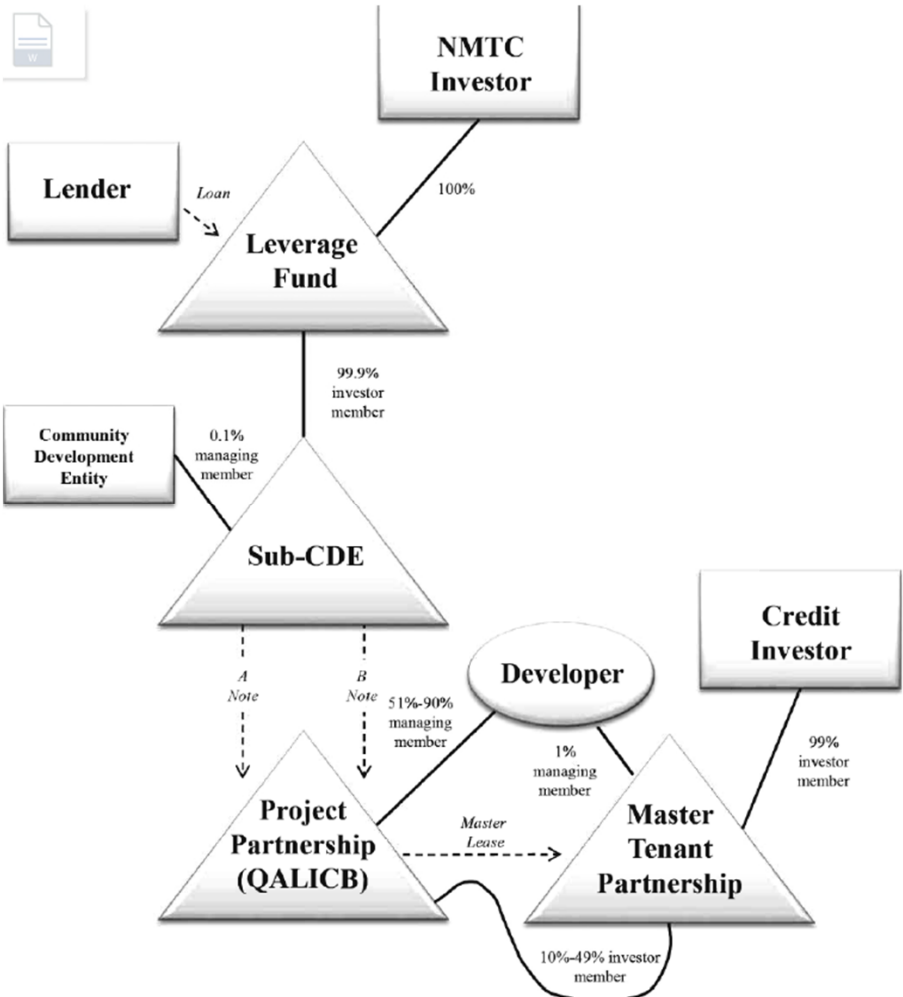
**Tax Credit Investor will provide \$3,000,000 in funding to leverage the nonprofit's dollars**

**Fees will be paid to the CDE, consultants, attorneys, etc.**

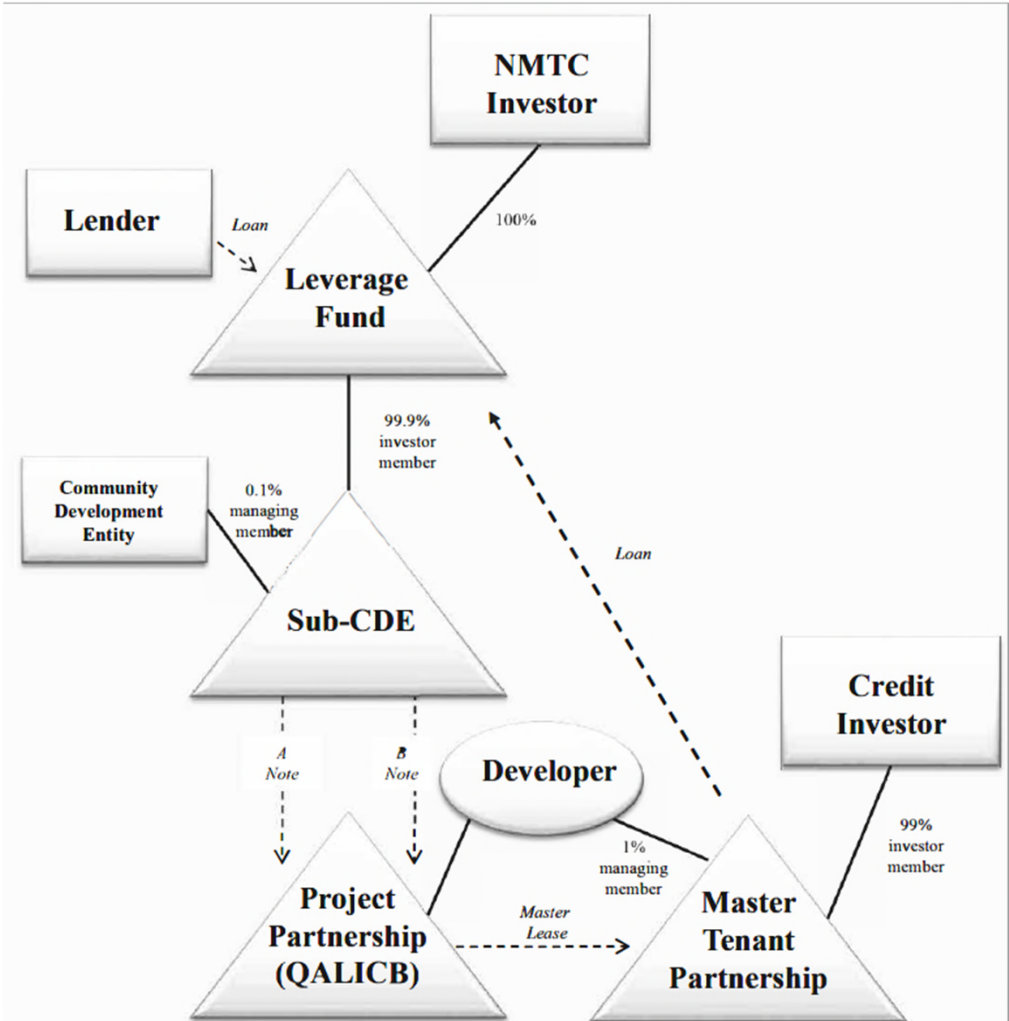
**Reserves will be funded to pay ongoing compliance costs and interest within the NMTC deal**



# NMTC and HTC Structure Chart



# NMTC and HTC Alternative Structure Chart



# OPPORTUNITY ZONES AFTER OBBBA: WHERE ARE WE? WHAT'S NEXT?

IPED Conference

June 11, 2026

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# OPPORTUNITY ZONES AFTER OBBBA: WHERE ARE WE? WHAT'S NEXT?

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## OUR AGENDA: HEADLINES FROM OBBBA

- The Opportunity Zone (“OZ”) provisions become permanent.
- The statute creates a bifurcated regime: OZ 1.0 and OZ 2.0.
- The tax deferral and basis step-up rules return.
- The elimination of gain provisions are refreshed.
- There is a new incentive for Rural Opportunity Zone investment.
- New reporting requirements are adopted.
- Opportunity Zone qualification becomes harder.

## OZ PROVISIONS BECOME PERMANENT

- The One Big Beautiful Bill Act of 2025 (“OBBBA”), Public Law No. 119-21; Signed into law by President Trump on July 4, 2025.
- Generally makes permanent expiring provisions of the Tax Cuts and Jobs Act of 2017 (the “2017 Act”), including the Opportunity Zone rules.
- Enabling provisions remain IRC §§ 1400Z-1 and 1400Z-2.
- OBBBA runs some 330 pages - don’t make assumptions . . . For example:
  - Bonus depreciation rules retroactive to 01/20/2025.
  - Long-term contract rules for condominium developers effective for tax years starting after 12/31/25.

## OBBBA CREATES BIFURCATED OZ REGIME

- OZ 1.0, the original OZ program, generally set to expire 12/31/26.
- Pre-2027 OZ 1.0 investments - and rules - largely remain unchanged.
- OZ 2.0, enacted as part of OBBBA, commences 01/01/27.
- More on OZ 2.0 later. . .
- Despite investor wishes for a deferral, “deemed disposition” rule for OZ 1.0 investments remains 12/31/26, unless earlier disposition.
- Many unanswered questions on transition from OZ 1.0 → OZ 2.0.

## OBBBA CREATES BIFURCATED OZ REGIME

- Gain for earlier investments is the lesser of:
  - Original deferred gain, or
  - “The fair market value of the investment” over the taxpayer’s basis in the investment.
    - Potential opportunity to reduce gain
- Taxpayer’s basis generally is zero, with 2 significant exceptions.
  - Investments held for 5 years: Basis increased to 10% of original gain.
  - Investments held for 7 years: Basis increased an additional 5% of original gain.

## TAX DEFERRAL & BASIS STEP-UP RULES

- OZ 2.0 refreshes the tax deferral and basis step-up rules in the original OZ 1.0 program in the 2017 Act.
- Capital and §1231 gains invested in a Qualified Opportunity Fund (“QOF”) can be deferred until the earlier of:
  - 5 years, or
  - The date the investment is sold or exchanged.
- The 5-year deferral applies to all qualified gains and is akin to a rolling clock - there is no date certain expiration, unlike OZ 1.0.
- Investors with a 5-year hold receive a 10% basis increase, effectively reducing the gain subject to tax after 5 years by that 10%.

## ELIMINATION OF GAIN PROVISIONS

- Long-term and longer-term gain elimination.
- Act retains the 10-year hold rule: Investors who hold the investment for at least 10 years can exclude the gain at time of sale.
- New 30-year hold rule: If an investor holds a QOF interest for 30 years or longer, the basis of the investment is stepped up to the value as of the 30-year date.
- The 10-year hold rule looks to value at date of sale for the investment.
- The 30-year hold stops at the 30-year anniversary date. Any further gain subject to tax.

## RURAL OPPORTUNITY ZONE INVESTMENT

- The Act creates a new type of QOF, a Qualified Rural Opportunity Fund (or “QROF”).
- A QROF generally needs to comply with the standard QOF rules, except:
  - The 90% asset test looks to assets in an OZ census tract in a “rural area.”
  - A similar rule applies for Qualified Opportunity Zone Business Property, Partnership Interests and Stock.
  - The “substantial improvement” qualification threshold for existing buildings owned by a QROF is only 50% of the basis of the existing building (reduced from 100% in a QOF).
- Why a special rule for rural areas?

## RURAL OPPORTUNITY ZONE INVESTMENT

- Added benefit: QOF basis step-up of 10% increased to 30% for QROFs.
- What is a census tract in a “rural area?”
- “Rural area” is an area other than:
  - “A city or town that has a population of greater than 50,000 inhabitants,” or
  - “Any urbanized area contiguous and adjacent to a city or town” that has a population of greater than 50,000 inhabitants.
- What is an “urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000?”
- Notice 2025-50 lists 3,309 “rural areas” under the 2018 QOZ guidance.

## NEW REPORTING REQUIREMENTS

- Background: Opacity of the QOF, its investors and the project has been contentious almost since the date of enactment of the 2017 Act.
- The Act addresses some, but not all, of these issues of an information vacuum.
- The Act adds IRC §§6039K and 6039L, which mandate annual information reporting:
  - Information the QOF or QROF must report to the IRS;
  - Information the QOF or QROF must report to its investors;
  - A publicly available report by Treasury on QOFs.
- IRC §6011(3)(8): The annual reporting must be filed electronically.

## NEW REPORTING REQUIREMENTS

- Information reporting seems benign, but substantial penalties for failure to comply.
- IRC §6726: Penalties for failure to comply with information reporting.
  - General rule: \$500/day, up to \$10,000/return.
  - Large QOF (gross assets > \$10 million): Cap is \$50,000/return.
  - Intentional disregard: \$2,500/day, up to \$250,000.
- The penalties are adjusted for inflation, after 2025.
- IRC §§6724(d)(2)(NN) and (OO): There is a reasonable cause exception.
- The reporting and penalty rules apply for years beginning after 12/31/25.

## OZ QUALIFICATION BECOMES HARDER

- The designation of a Qualified Opportunity Zone is census tract-specific.
- Census tracts now will be redesignated every 10 years.
- Originally designated OZ census tracts will continue to be eligible for investment through 12/31/26.
- Starting 07/01/26, the current OZ census tracts will be re-evaluated, and each state will select new OZ census tracts to be utilized for the next 10 years.
- It is likely that some existing OZ tracts will remain, while some new OZ census tracts will also be selected (replacing previous tracts).

## OZ QUALIFICATION BECOMES HARDER

- The criteria to qualify as an OZ tract has become more stringent, responding to concerns by Congress of developer and governor gamesmanship.
- The definition for what qualifies as a low-income community for OZ tract selection purposes has changed.
- New definition: A low-income community means any census tract if the median family income does not exceed 70% of the metropolitan area or statewide median family income (down from 80%).

## OZ QUALIFICATION BECOMES HARDER

- Alternatively, a census tract still qualifies if it has a poverty rate of at least 20%.
  - However, a new rule disqualifies the tract if it exceeds 125% of the metropolitan area or statewide median family income.
  - Presumably, this was put in place to eliminate some tracts that exist in gentrifying areas.
- Contiguous tracts. The provision allowing qualification for tracts contiguous to low-income tracts has been repealed.
  - Any census tract must meet the definition of a low-income community.
  - No more “piggybacking” of adjacent tracts.

## OZ QUALIFICATION BECOMES HARDER

- Puerto Rico designations.
  - Prior law allowed Puerto Rico to designate unlimited tracts.
  - That provision was repealed, so it now seems there will be specific tracts selected in Puerto Rico as well.
- More guidance on OZ qualification likely will be forthcoming.
- Preliminary identification of refreshed tracts is mandated by 06/30/26.
- Governors still have discretion to designate QOZs up to 15% of number of QOZs, by state.



# State Tax Credit Issues & Innovative Financing Tools

June 11, 2026

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# Agenda

- Current Market Trends & Issues
- Pennsylvania & New Jersey TIF Programs
- Pennsylvania RAC-P Program
- New Jersey Aspire Tax Credit
- New Jersey Historic Tax Credit
- Takeaways



# Current Market Trends & Issues

- Need for Complex Syndication Strategies Diminishing Slightly Based on More State Programs Turning to Transferable and Assignable Tax Credits (even transferable Net Operating Losses in some cases)
- Nonprofit Partners Being Allocated State Tax Credits to Preserve Tax-Free Status for Transfer—but be cautious of potential lost deductions and other tax benefits.
- Redevelopment projects are seeing more active private and institutional lenders securitizing state tax credits/agreements: more activity on the real estate side than commercial/job-creation programs.
- Tax credit market is strong at .85-.91 cents on the dollar depending on program, claw back risk, compliance issues, etc.



# Current Market Trends & Issues

- Tax-free sale or exchange at state/local level for income tax purposes.
- If not tax-free for state income tax purposes:
  - Business/Non-Business Income
  - How to apportion/allocate the gain
- State buy-back of last resort option: state can redeem tax credits for a discounted price to provide liquidity/guaranteed option.
- Need for digital state tax credit exchange is growing with grading products for investors and lenders.
- Sales tax considerations - exemptions and interactions with state tax credits



# Pennsylvania Tax Increment Financing Programs

- Neighborhood Improvement Zone (“NIZ”) (Allentown, PA)
  - 128 acres in center city Allentown and along the western side of the Lehigh River.
  - More than a billion dollars in capital investment since inception in 2011 (PPL Center, hotels, mixed-use development, commercial/office).
  - Includes all state and local taxes generated with zone; not only property tax.
  - Tax increment used to repay debt service and bonds issued by the Allentown Neighborhood Improvement Zone Development Authority.
  - Businesses located in the zone must timely report state and local taxes paid through online reporting system to accurately measure tax increment.
- City Revitalization & Improvement Zone (“CRIZ”) (Bethlehem, Lancaster, Reading, Erie, Tamaqua) – Similar program to NIZ; up to 30 years.
- Military Installation Remediation Program



# New Jersey Redevelopment Area Bond Financing

- Under the New Jersey Long Term Exemption law--an area in need of redevelopment can be designated with the benefit of offering a long-term exemption or PILOT.
- The PILOT generally freezes the assessed value of the property to a pre-improvement level with an annual service charge imposed.
  - 10-15% of a project's annual gross revenue or 2% of total project costs.
- Municipality or NJ EDA/Redevelopment Authority may issue bonds for the project with annual service charge pledged to the amortization of the bonds.
- Municipality may pledge municipal credit as security and sometime special assessment used to backs up the PILOT in cases of financial distress.



# Pennsylvania Redevelopment Assistance Capital Program

- Pennsylvania RACP
  - Reimbursement-based grant program (\$1M+ minimum) that funds regional economic, civic, and cultural projects authorized by the state legislature.
  - At least 50% of total project costs must be secured from non-state sources and prior to submitting a project proposal.
  - Funds may cover acquisition, construction, renovation and design with a maximum of 30% used for acquisition and/or equipment.
  - Requires appropriation line-item or taking advantage of another previously-awarded grant to a local IDA.
  - Competitive bidding must occur at either the general contractor or sub-level for all work in the scope.
  - Pre-award project selection and legislative authorization; grant agreement and associated compliance/report for reimbursement and verifying investment.



# New Jersey Aspire Program

- New Jersey's major real estate financing tax credit program which took the place of the Economic Redevelopment & Growth Grant Program.
- Transferable tax credits can range depending on project area: usually 50% of project costs up to \$60 million but can reach 85% of project costs with \$90 and \$120 million max. depending on project location. (Paid out usually over 10 years.)
  - Non-profit entities may be co-applicants.
- Eligibility Criteria: Project not economically feasible and generate below-market rate returns without incentive; project financing gap; 20% equity requirement for developer (10% in GRM); net benefit test (not applicable for residential).
- Minimum project cost: Population > 200,000 = \$17.5 million; otherwise, \$10 million unless based in certain municipalities with \$5 million requirement.



# New Jersey Aspire Program

- Extensive application & annual financial reporting with excess profits paid to NJ.
- 20% equity requirement, may include federal tax credits.
- Include 20% new residential units for low and moderate-income households or workforce housing.
- Cost certification required for eligible capital investment painstaking and form over substance often in terms of qualification and categorization.
- Prevailing wage on construction and certain building services & Community Benefits Agreement with letter of support required if spend is \$10 mill+
- New Jersey has a state buy-back of “last resort” program to ensure liquidity.



# New Jersey Historic Tax Credit

- Award Size
  - 50% of the cost of rehabilitation up to a maximum of \$8 million, for rehabilitation projects NOT located within a qualified incentive tract or a government-restricted municipality (GRM – Atlantic City, Paterson, Trenton);
  - 60% of the cost of rehabilitation up to a maximum of \$12 million, for rehabilitation projects located within a qualified incentive tract or a government-restricted municipality;
  - 45% of the cost of rehabilitation up to a maximum of \$50 million for rehabilitation projects that include a transformative property.
- Eligibility:
  - Project not economically feasible without incentive and project financing gap exists unless in a government-restricted municipality;
  - 20% equity requirement;
  - Must spend a minimum of adjusted basis of the structure;
  - Construction should not have commenced.



# Takeaways & Alternative Strategies

- One-Size Fits All approach does not work; the best programs are tailored, customized and structured accordingly.
- In addition to financing, certainty is key with predictable outcomes and milestones for satisfying program requirements.
- Creativity by industry and region: Examples for Technology:
  - Sale of Net Operating Losses
  - Negative Apportionment Factors to Reduce Taxable Income
  - Selling the negative apportionment tax attribute.
  - Massachusetts Life Sciences Incentive Program
- Real Estate incentives have a different focus: Often used to secure financing as opposed to return costs/investment(s) back to business.



# Thank you!

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