

# Preserving Texas History and the New Texas Premium Tax Credit

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Texas insurers may now be able to buy premium tax credits at a discount. In 2013, the 83rd Legislature established the Texas Historic Preservation Tax Credit Program, which allowed for companies engaged in restoration of certain historically significant structures in the state to earn a credit against their franchise tax liability. The state program is an attempt to encourage restoration work on noteworthy older buildings, of course, and replicates the successful Federal Historic Preservation Tax Incentives program. Administered by the National Park Service and the IRS, the federal scheme has been in existence, in one form or another, since 1976, and is cited as instrumental in encouraging restoration of such landmarks as Chicago's Art Deco Board of Trade, the Apollo Theater in Harlem, and the Old Post Office in Washington, D.C. (Note: The credits available through this program were subject to revision under the Tax Cuts and Jobs Act of 2017, Public Law No. 115-97, enacted in December of last year.)

The Texas tax credit is worth 25 percent of qualified rehabilitation expenditures, as defined by the Internal Revenue Code, and is available for buildings listed in the National Register of Historic Places, as well as Recorded Texas Historic Landmarks and Texas State Antiquities Landmarks. In 2017, the 85th Legislature amended the Texas Tax Code to provide that such credits could be used by insurance companies, which don't pay franchise taxes, to offset taxes imposed on property and casualty, life and health, title, and reciprocal insurance premiums under chapters 221 through 224 of the Insurance Code. Furthermore, Section 171.908(a) of the Tax Code provides that such credits are assignable, and may in fact be assigned, in whole or in part, numerous times.

There appears to be at least a modest market for such tax credits developing in Texas. Time will tell, of course, how popular the credits become, what sorts of discounts will be offered, and how much benefit insurers will be able to realize from them.