

Utilizing Tax Credits to Finance Renovation for State Institutes of Higher Education

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In 2017 the Texas Legislature passed House Bill 1003, which made the Texas Historic Preservation Tax Credit available to state university systems and other state institutions of higher education. Following this change, universities and institutions of higher education are now able to utilize these Texas state tax credits (“HTCs”) to offset the cost of renovation projects of historic buildings on their campuses.

To qualify, a project must meet the following requirements:

1. The project must be for the renovation of a historic building.
2. Architectural work on the renovation must meet certain rehabilitation standards.
3. Cost of the renovation must be in excess of \$5,000.
4. An application for participation in the program must be submitted to the Texas Historic Commission before the project is completed.
5. The project must have a documented placed in service date prior to January 1, 2022, provided that projects not completed by that time may be phased to so that completed items qualify for the tax credit.

Buildings must be designated as historic or be determined as eligible for historic designation to participate in the program. Generally, this includes listing in the National Register of Historic Places, designation as a Recorded Texas Historic Landmark or as a State Antiquities Landmark. However, a building that is not already listed or designated may still be eligible provided it is at least 50 years old (constructed prior to 1971).

The Texas state HTC program provides a tax credit equal to 25% of the qualified costs of renovation of historic buildings. State universities and institutions of higher education are eligible to sell the

HTCs earned by their projects. For example, if a Texas state university has a project to renovate a dormitory building constructed prior to 1971 with eligible renovation costs of \$2.0 million, the project would be eligible for up to \$500,000 in tax credits. Those tax credits can then be sold and the proceeds used to offset the total cost of renovation.

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