

# \$40 MILLION TO SUPPORT “ONE OF THE FINEST HOTELS ANYWHERE IN THE WORLD”

## QUICK STATS

- ✘ **CONFERENCE:** Spending
- ✘ **TEAM:** Internal Revenue Service
- **FUMBLE:** \$40 million
- **HOW TO RECOVER THE BALL:** Eliminate the national historic tax credit



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Each year many American families will undertake some kind of repair or remodel project around their houses. This may mean repainting a hallway, replacing a sink, or even installing a new roof. It is unlikely that many families will receive federal funding for their home repair projects, even if the home is old. However, companies renovating old and historic buildings might qualify for federal funding or tax credits for the repairs.

In June 2013, the Trump Organization was selected as the developer of the Old Post Office in Washington, DC, in what the organization claims to be “the most sought-after hotel redevelopment opportunity in the country.”<sup>329</sup> The Trump Organization is investing \$200 million to renovate the prime real estate into a five-star hotel that will be “in a level of luxury previously unseen in this market.”<sup>330</sup> When all is said and done, American taxpayers will chip in \$40 million to help cover the costs

to “restore this magnificent building to even well beyond its original grandeur.”<sup>331</sup>

The taxpayer-funded partnership to subsidize the development of old buildings is made possible by the National Historic Tax Credit. The credit allows an investor to claim 20 percent of rehabilitation costs for certified historic structures (or structures in historic districts) and ten percent of rehabilitation costs for buildings built prior to 1936.<sup>332</sup> The tax credit has repeatedly been used to offset the massive price tags for megaprojects—like Boston’s Fenway Park (\$40 million) and a resort on Millionaire’s Row in Miami, FL (\$60 million)—that do not need the help of the American people<sup>333</sup>

The taxpayer-supported hotel will feature “272 richly furnished guestrooms...with lofty 16-foot ceilings, soaring windows, beautifully restored historic millwork, and glittering crystal sconces and chandeliers.”<sup>334</sup> One of the two presidential suites will be 5,000 square feet—twice the average size of an American family home.<sup>335</sup> Each of the suites will include “original fireplaces, wood doors and moldings, and offer unique amenities such as separate dining room with pantry and service entry, his-and-her walk-in closets, private sauna and steam room, two-person shower, and VIP direct-elevator access.”<sup>336</sup> Hotel guests will also be able to enjoy a 5,000-square-foot super luxury spa and state-of-the-art fitness center.

While the lucky guests of this palatial hotel will be awestruck by its glitz and glamour, taxpayers are unlikely to be amused that they helped foot the bill through a \$40 million tax credit thanks to the National Historic Tax Credit.<sup>337</sup>

## RECOVERY

The National Historic Tax Credit is duplicative, untargeted, costly, and distortive. The credit also costs about \$1 billion per year in lost revenue.<sup>338</sup> Eliminating the tax break would not prevent states and localities from implementing, maintaining, or expanding

their own historic preservation programs. Eliminating the tax credit would also not lead to the collapse of iconic historic structures that have long been protected and preserved by the federal government. Instead its elimination will prevent the federal government from doling out hundreds of millions of dollars to luxury vacation destinations, major league baseball teams, and practically any other renovation project in a building that is included in the not-so-selective list of more than one million buildings on the National Register of Historic Places.

***For more information, please visit:***

[NPS: National Historic Tax Credit](#)

[NPS: FY2014 Annual Report on Federal Tax Incentives for Rehabilitating Historic Buildings](#)