
Renew the Federal Brownfield Tax Deduction

A uniquely powerful incentive for private investment in cleanup

Background

Before it expired, the federal Brownfield Tax Incentive allowed a party who voluntarily investigated and remediated contaminated property to deduct its cleanup costs in the year incurred on their federal income tax return. By expensing rather than capitalizing remediation costs and spreading out the deduction over ten years, the deduction was a powerful incentive for private investment in the economic revitalization of brownfields.

In the past, developers used the cash savings from this incentive to invest in their next brownfield project, exactly the behavior needed to accelerate cleanup of the nation's contaminated sites.

Our 2015 report* showed this deduction dramatically reduced the remediation costs-the largest single expense of taking on a brownfield-by one-third to one-half, depending on the combined income tax bracket (fed, state, local) of the party conducting the cleanup.

The incentive was part of the tax code (IRS § 198) from 1997 through 2011 and was approved by bipartisan Congressional majorities six times. This incentive applied very broadly and was not complicated to use. The deduction was available for cleanup of all contaminated property, except for property proposed or placed on the National Priority List. It was used more than 625 times in more than 40 states and was gaining momentum*. *The National Brownfields Coalition is working to persuade Congress to renew this critical incentive.*

Why we need the brownfield tax incentive

- The brownfield tax incentive is an investment. The redevelopment of brownfields generates increased tax revenue for local, state, and federal governments from formerly idle, non-income producing property. Our study showed seven NYC sites that enrolled in the NYC voluntary cleanup program took the deduction and enjoyed average, per-site tax savings of \$105,000. This contrasts with per-project tax revenue gains to city and state government from these projects of \$10 million (calculated on a 30-year, NPV basis). Looking at these city sites, the financial benefit of the brownfield tax deduction is 100 times greater than its cost. The report features 17 case studies, describing the jobs and other local benefits of redevelopment in places like Detroit, MI; Cincinnati, OH, Liberty, TX, and Salt Lake City, UT.
- The deduction prompts developers and site owners to take on seriously contaminated sites by reducing their effective cost of cleanup and thereby ushering in the economic gains that flow from new capital investment in communities across the country. New development brings both construction and permanent jobs, as well as housing, community facilities, retail, and office space that revitalizes communities.
- The deduction provides a critical source of capital that can fund a project's cleanup costs in markets where lenders are wary of financing cleanups, particularly for smaller developments.
- The deduction encourages developers to take on seriously contaminated brownfields whose otherwise high cleanup costs prompt developers to search for simpler projects. By expensing remediation costs, the deduction makes contaminated sites far more competitive to develop.
- The brownfields tax incentive achieved equity between polluters and those remediating pollution on a voluntary basis in the tax treatment of cleanup costs. Currently, those who caused the pollution or are otherwise liable to conduct a cleanup are able to expense their cleanup costs; restoring this incentive will again allow volunteers to do the same.
- As a tax deduction rather than a grant, the brownfields incentive is extremely simple to use: a volunteer investigates and cleans the site, obtains a letter confirming that contamination from its state environmental agency, and can then deduct the cost of cleanup on their return.

The incentive works. The brownfields tax deduction, taken in 40 states and the District of Columbia, has been used more than 625 times. *The Federal Brownfields Tax Incentive; Case Studies and Analysis of Impacts*, Redevelopment Economics, NYC Office of Environmental Remediation, International Council of Shopping Centers, Smart Growth America/National Brownfields Coalition, September 2015.

The National Brownfields Coalition is a non-partisan alliance of public interest organizations, academics, as well as public and private sector professionals who develop and advocate for policies and practices that support the responsible cleanup and reuse of underutilized, blighted, or environmentally impacted land. Our mission is to educate, advocate, and convene stakeholders nationally to advance the social, economic, public health, environmental, and quality of life benefits of environmental cleanup and reuse for all communities.

More information about the National Brownfields Coalition can be found [here](#). If you have any questions about the Coalition, please contact Jill Jones Borak at jbolak@locusdevelopers.org or Jean Hamerman at jean.hamerman@cclr.org.