Tax Relief for Historic Building Rehabilitation Projects

Presented by State Historic Preservation Office
SC Department of Archives and History
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CONTACT THE SHPO EARLY IN THE PLANNING PROCESS

Taxes? Historic Buildings?

$236+ million

What’s Out There?

• Federal income tax credits (20%, 10%)
• Federal deduction for easement donations
• State income tax credits (25%, 10%)
• Local option property tax abatement – freeze of tax value

$29+ million

• Federal energy tax credits
• SC Textile Communities Revitalization Act
• Federal low income housing tax credit
• Federal New Market tax credit
Can be used on historic and non-historic buildings

Other links

• SC Housing, Finance & Development Authority http://www.sha.state.sc.us/Housing_Partners/Tax_Credits
• SC Energy Office http://www.energy.sc.gov/
• New Market Tax Credit Coalition http://nmtccoalition.org/

http://shpo.sc.gov/grants
How Incentives Work…

• Credit: reduces amount of taxes owed
  $1 credit reduces taxes by $1

• Deduction: Reduces amount of income
  $1 deduction, 20% tax rate, lowers tax by 20 cents

• Property Tax Abatement: Assessment of
  value set at pre-rehab value
  savings depends on millage rate

Historic Tax Credits Based on USE

What type of project do you have?

• Historic Building, income-producing
• Historic Building, owner-occupied home
• Historic Building, mixed use
• “Non-Historic” Building, non-residential income-producing use

“We don’t give tax advice”

Historic Building income-producing use

• Federal Income Tax – 20% Credit
• State Income Tax – 10% Credit

May also apply:
• Local Property Tax – Freeze of Tax Value
• Easement deduction
• Low income housing credit, textile mill credit, etc

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Historic Building income-producing use

• Federal Income Tax – 20% Credit
• State Income Tax – 10% Credit

May also apply:
• Local Property Tax – Freeze of Tax Value
• Easement deduction
• Low income housing credit, textile mill credit, etc

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Historic Building income-producing use

• Federal Income Tax – 20% Credit
• State Income Tax – 10% Credit

May also apply:
• Local Property Tax – Freeze of Tax Value
• Easement deduction
• Low income housing credit, textile mill credit, etc

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Historic Building income-producing use

• Federal Income Tax – 20% Credit
• State Income Tax – 10% Credit

May also apply:
• Local Property Tax – Freeze of Tax Value
• Easement deduction
• Low income housing credit, textile mill credit, etc

CONTACT THE SHPO EARLY IN THE PLANNING PROCESS
William Aiken House, Charleston
Events space, offices

Contact the SHPO early in the planning process

Historic Building
Owner-occupied home

- State Income Tax – 25% Credit

May also apply:
- Local Property Tax – Freeze of Tax Value
- Easement deduction

Work reviewed by SHPO before project starts

Contact the SHPO early in the planning process

Historic Building
Mixed use

- Federal Income Tax – 20% credit (partial)
- State Income Tax – 10% credit (partial)
- State Income Tax – 25% credit (partial)

May also apply:
- Local Property Tax – Freeze of Tax Value
- Easement deduction

Contact the SHPO early in the planning process

“Non” Historic Building
Income-producing use

- Federal Income Tax – 10% Credit
May also apply:
- Local Property Abatement
- Textile mill credit

Built before 1936, not listed in the National Register, non-residential projects, wall retention tests apply – no design review

Contact the SHPO early in the planning process

Basic Requirements for Historic Tax Credit Projects

- Be designated HISTORIC, not just old.
  - National Register for Federal/State
  - Local designation for local incentive
- Spend enough MONEY.
  - Meet the threshold for the program
- Do the work RIGHT.
  - Work meets Standards for Rehabilitation

Contact the SHPO early in the planning process
Designated Historic

- National Register of Historic Places
  - (state and federal credits use listing status)
- Local historic designation
  - (for local property tax freeze)
- Non-historic (1936), not National Register listed

http://www.nationalregister.sc.gov/nrlinks.htm

Spend Enough Money

- Income-producing projects
  - Exceed the adjusted basis in 24 (60) months
- Owner-occupied homes
  - More than $15,000 in 36 months
- Local property tax value freeze
  - More than threshold in local ordinance

Know what expenses count for the credit

Do The Work Right

Work must meet the Standards for Rehabilitation for these programs:
- Income-producing projects
- Owner-occupied homes
- Local property tax value freeze

Rose Hotel, York

20% Federal Tax Credit $300,000
State Housing Trust Fund $300,000
Community Dev. Block Grant $300,000
Special property tax assessment

TOTAL INCENTIVES $900,000
TOTAL PROJECT FUNDING $1,800,000

Bennettsville Lofts

20% Federal Tax Credit $468,362
10% State Tax Credit $115,804
Federal Home Loan Bank $143,000
Community Dev. Block Grant $330,000
Low Income Housing Tax Credit $1,235,128

TOTAL INCENTIVES $2,292,294
TOTAL PROJECT FUNDING $3,055,959
Highland Park Mill Senior Center, Rock Hill

- 20% Federal Tax Credit $2,084,850
- Textile Mill Credits $1,314,714
- Low Income Housing Credits $2,660,374

TOTAL INCENTIVES $6,059,938
TOTAL PROJECT FUNDING $13,321,984

What Questions Do You Have?
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http://shpo.sc.gov/forms/