



# HISTORIC TAX CREDIT PROGRAMS

## ANNUAL REPORT

FISCAL YEAR 2018-2019

Presented by:

S.C. Department of Archives & History  
State Historic Preservation Office

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# Historic Tax Credit Annual Report: Fiscal Year 2018-2019

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Photographs on front cover (clockwise from top left): Marks Building, Columbia, SC; 30 State Street, Charleston, SC; Fountain Fox Beattie House, Greenville, SC; Residence Greenville, SC; Union Carnegie Free Library, Union, SC; Jackson Street Cottages, Charleston, SC



## THE SOUTH CAROLINA DEPARTMENT OF ARCHIVES AND HISTORY

State Historic Preservation Office (SHPO) has had another busy year. In Fiscal year (FY) 2018-2019 the SHPO received applications for **52 new tax credit projects from 22 counties, covering all seven congressional districts.** Historic tax credit projects continue to make a significant contribution to the South Carolina economy with more than \$142 million dollars in total project costs spent on tax credit projects completed in FY 2018-2019, and an estimated \$282 million dollars in total project costs planned by in-progress tax credit projects. Together, the federal and state historic tax credit projects that were completed in FY 2017-2018 **earned a combined \$44.5 million dollars in historic tax credits.**

The SHPO is responsible for reviewing applications for income-producing projects seeking the 20% Federal Historic Tax Credit and/or the 10% (optional 25%) State Historic Tax Credit, and applications for residential projects seeking the 25% State Historic Owner-Occupied Tax Credit (Homeowner). Each tax credit program includes a 3-part application process. The applications for the income-producing projects are denoted with a **P** and the applications for homeowner projects are denoted with an **S**. The first part of the application process is the determination of historic status with a P1 or S1 application. The second part is the description of work submitted for review on a P2 or S2 application. The third part is certification of the project once the work is complete and is submitted on a P3 or S3 application. During the course of the project, if the proposed work is revised, added to, or removed from the project scope, a P2 Amendment or S2 Amendment form must be submitted to the SHPO for review. In FY 2017-2018, the SHPO reviewed **133 total** P1, P2, P2A, and P3 tax credit applications and **7 total** preliminary determinations for income-producing projects, and **91 total** S1, S2, S2A, and S3 tax credit applications for homeowner tax credit projects. **The average review time for a completed tax credit application was 14 days.**

In addition to conducting application reviews, the SHPO team has been working hard to make it easier for the public to research and find

information, and to make the tax credit application process more efficient. The SHPO updated the Homeowner tax credit application instructions and reference manual which can be downloaded on the website. Hardcopies of the new instructions manual or revised tax credit applications may also be requested by contacting the SHPO directly. In addition to updating program materials and applications, staff members have traveled to various locations throughout the state speaking about tax credit opportunities for historic properties.

**“...over \$142 million dollars in total project costs spent by tax credit projects completed in FY 2018-2019...”**

The impact of increased flooding on historic properties continues to be at the forefront of our discussions. We are working with federal, state, and local governments and organizations in order to better document the current and future potential impacts of sea-level rise and flooding on historic buildings seeking tax credits. We continue to establish and strengthen our working relationships with key officials in the cities most affected by flooding to ensure mitigation efforts on historic properties seeking federal and state tax credits are completed in a manner that is compatible with the historic character of these important buildings.

This report provides greater detail on the income-producing and Homeowner tax credit applications from FY 2018-2019. Thank you to the property owners that have participated in the historic tax credit program in years past. If you have any questions about the tax credit programs please visit our website at [scdah.sc.gov](http://scdah.sc.gov) or contact the appropriate SHPO staff.

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### New tax-credit projects submitted to SHPO in FY 2018-2019



Fifty-two new applications for historic rehabilitation projects seeking federal and state tax credits were submitted to the State Historic Preservation Office (SHPO) in Fiscal Year 2018-2019. Of those new project applications, 45% of the applications were seeking the South Carolina 25% tax credit available for owner-occupied certified historic residential structures (Homeowner tax credit). 53% of the new project tax credit applications were seeking the 20% Federal Historic Tax Credit (HTC) and the 10%/25% South Carolina State Historic Tax Credit for income-producing tax credits. 2% of the new tax credit projects submitted to the SHPO were mixed-use projects meaning they are both owner-occupied and income-producing and will be seeking both forms of historic tax credits.

### Total Tax Credits Earned in SC in FY '18-'19\*

**\$44.5 Million**

\*Federal and State Income-Producing Credit, & State Homeowner Credit

In FY 2018-2019, the SHPO reviewed a total of 231 applications between income-producing and homeowner tax credit projects.

The average review period for complete applications was 14 days during the last fiscal year. The SHPO strives to review each tax credit application submitted to our office within 30 days. In FY 2018-2019, 86 percent of tax credit applications were reviewed within 30 days of receiving complete applications.



**86%**

Percentage of tax credit applications reviewed within 30 days



**14**

Average number of review days for a complete tax credit application



# COMPLETED PROJECTS | USE ANALYSIS

## MIXED USE



## APARTMENTS/RENTAL



## HOTEL



## COMMERCIAL



## LIBRARY



## RESIDENTIAL



Includes completed projects for the Federal Historic Tax Credit and the State Homeowner Historic Tax Credits

# About the Income-Producing Historic Tax Credit Programs

Taxpayers who rehabilitate income-producing historic structures may be eligible for one of two income tax credits:

- **20% Federal Historic Rehabilitation Tax Credit:** Owners and some leasees of historic buildings used to produce income may be eligible for a federal income tax credit equal to 20% of their rehabilitation costs.
- **S.C. State Historic Rehabilitation Tax Credit:** taxpayers who qualify for the 20% federal income tax credit may also qualify for a state income tax credit of 10% or 25% (not to exceed \$1 million for each certified historic structure) of their rehabilitation costs.

## What buildings qualify for the credit?

The building must be:

- Listed individually in the National Register of Historic Places (NRHP), or located within a National Register-listed historic district and certified by the National Park Service (NPS) as contributing to the significance of the district
- After rehabilitation, you must own the building and use it to produce income for 5 years. Income-producing buildings are those used in a trade or business or held for the production of income.

## How much must be spent to qualify?

The costs of the rehabilitation work must be "substantial". This means your rehabilitation costs during a 24-month period must be more than \$5,000 and greater than the adjusted basis of the building. The adjusted basis of the building is usually the purchase price, minus the cost of the land, plus the value of improvements already made, minus depreciation already taken.

## What are the review criteria?

The National Park Service (NPS) must review and certify that all work meets the Secretary of the Interior's Standards for Rehabilitation (Standards). The Standards ensure the rehabilitation respects the historic character of the building while allowing for reasonable changes to meet the needs of the project. Owners complete a three-part application to request approval from NPS.

## What rehabilitation work qualifies for the credit?

Qualified rehabilitation expenses (QREs) include costs associated with:

- Exterior and interior work undertaken on the historic building, architectural and engineering fees, site survey fees, legal expenses, development fees, and other construction-related costs, if they are added to the basis

Qualified rehabilitation expenditures do not include:

- Acquisition costs, furnishings, new additions that expand the volume of the existing building, new building construction, and parking lots, sidewalks, and landscaping.

## What is the application process?

The application review process begins with the State Historic Preservation Office (SHPO) at the South Carolina Department of Archives and History. The SHPO assists owners by providing advice and literature on appropriate rehabilitation treatments to help them plan successful projects and complete their applications.

The SHPO reviews applications and makes recommendations to the NPS concerning whether projects meet the Secretary of the Interior's Standards. After the SHPO review is completed, applications are forwarded to the NPS, which makes the final decision.

THE STATE HISTORIC PRESERVATION OFFICE (SHPO) received 140 applications for income-producing tax credit projects from 18 different counties (vs. 10 counties during the last fiscal year). These projects represent the entire state of South Carolina, covering the Lowcountry, Midlands, and Upstate regions as well as both urban and rural areas of the state.



Total Project Costs (P3)

**\$138 Million**



Estimated Federal Tax Credits Earned

**\$26 Million**



Estimated State Tax Credits Earned

**\$17.9 Million**



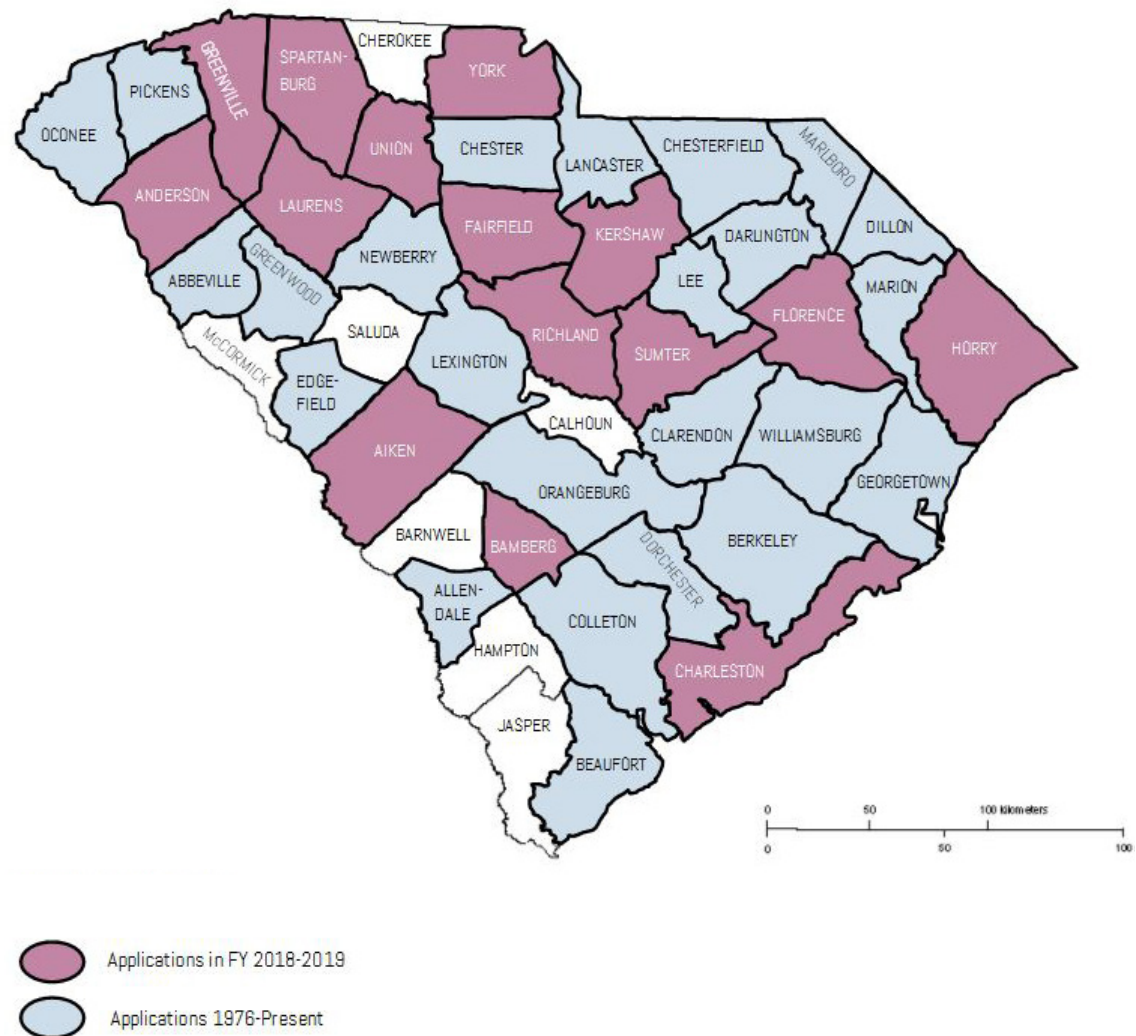
Estimated Total Tax Credits Earned

**\$43.9 Million**

The twenty-eight income-producing projects that submitted Part 3 applications to the SHPO for review during FY '18-'19 reported combined total project costs of approx. \$138 million. Of the total project costs, approximately \$129 million were spent on qualified rehabilitation expenses (QREs) and are eligible for the tax credit.

From the QREs, the completed projects earned a combined estimated \$26 million in Federal Historic Tax Credits and an estimated \$17.9 million in South Carolina Historic Tax Credits for a combined estimated \$43.9 million in tax credits earned this fiscal year for income-producing projects.

## Distribution of Applications Across the State (Income-Producing)





Part 3 Applications for completed projects reviewed by the SHPO for the Federal HTC increased by 47% over last year!



**19**  
Part 3 Apps

FY '17-18

**28**

Part 3 Apps

FY '18-19

In Fiscal Year 2018-2019 the  
**AVERAGE REVIEW TIME**  
for Federal Applications:

P1 Applications: 6 days  
P2 Applications: 28 days  
Amendments: 25 days  
P3 Applications: 25 days

Since the Federal Historic Tax Credit began in 1976, the total rehabilitation expenses on completed and approved projects has contributed more than

**\$819 MILLION**

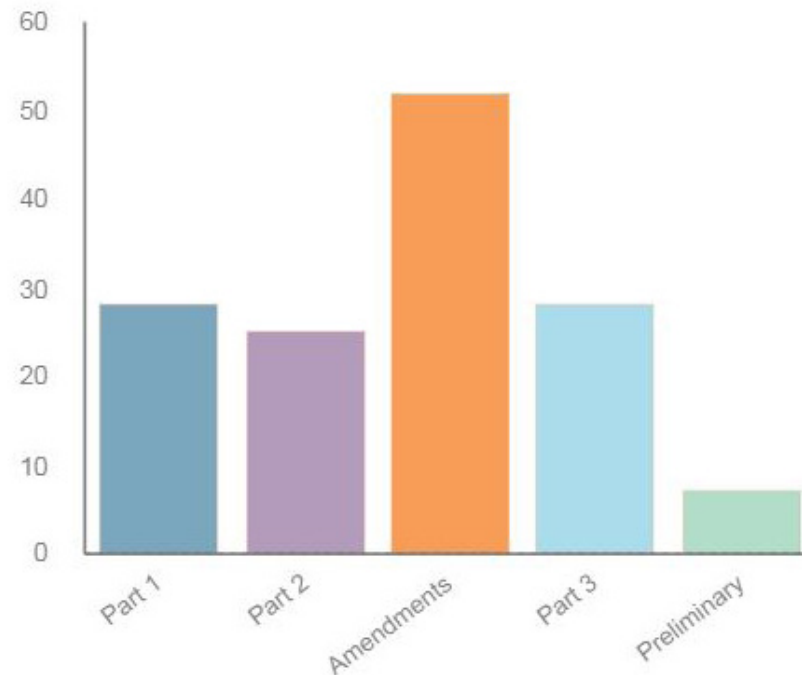
to the South Carolina economy.

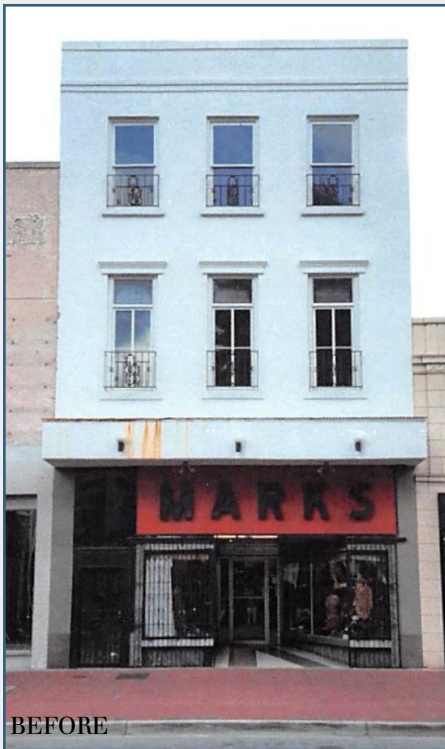
In Fiscal Year 2018-2019 the State Historic Preservation Office (SHPO) reviewed

**140 applications**

for income-producing projects seeking the 20% Federal Historic Tax Credit (HTC) and the 10%/25% South Carolina Income-producing historic tax credit.

### Income Producing Tax Credit Applications





BEFORE



AFTER

## Mark's Building (upper left)

Columbia

\$4,966,334 Approx. Project Cost

Current Use: Mixed Use

## Robinson Building (lower left and below)

Columbia

\$5,777,776 Approx. Project Cost

Current Use: Mixed Use



BEFORE



AFTER



BEFORE



AFTER





BEFORE



AFTER

### Furman Lunch (above)

Greenville

\$2,250,000 Approx. Project Costs

Current Use: Mixed-Use

### Jackson Street Cottages (below)

Charleston

\$1,850,000 Approx. Project Costs

Current Use: Office Space



AFTER



BEFORE



BEFORE



### William A. Hussey House (below)

Charleston

\$819,518 Approx. Project Costs

Current Use: Apartments

BEFORE



AFTER



AFTER

### Gregorie House(left) & Rouse Building(right)

Charleston

\$3,844,854 & \$2,563,167 Approx. Project Costs

Current Use: Mixed Use

AFTER



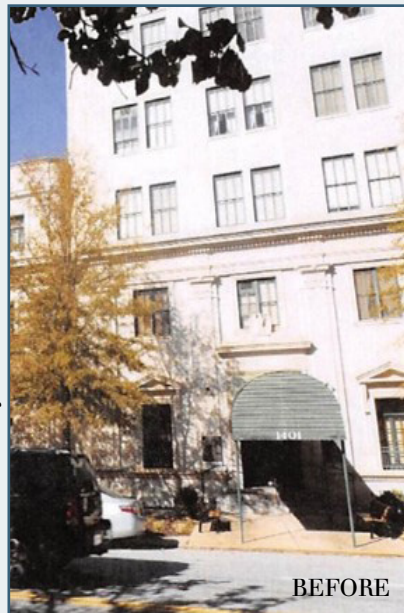


## Federal Lank Bank of Columbia

Columbia

\$16,320,507 Approx. Total Project Costs

Current Use: Apartments





BEFORE



AFTER



## Western Auto | Rose-Talbert Paints (above)

Columbia

\$3,395,180 & \$2,582,649 Approx. Total Project Costs

Current Use: Hotel

## State Street (right)

Charleston

\$1,049,262 Approx. Total Project Costs

Current Use: Mixed-Use

BEFORE



AFTER



AFTER







BEFORE



## Union Carnegie Free Library

Union

\$2,485,629 Total Project

Current Use: Public Library



2019 Historic Preservation  
Honor Award Winner



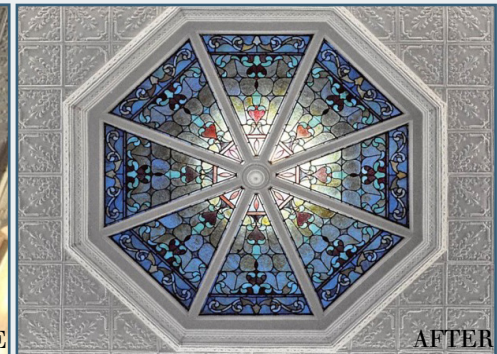
BEFORE



AFTER



BEFORE



AFTER

# About the Homeowner Historic Tax Credit Program

Taxpayers who rehabilitate their owner-occupied residence may be eligible to subtract **25%** of the costs of many expensive repairs and renovations from their state income taxes with the South Carolina Historic Rehabilitation Incentives Act (Homeowner Tax Credit). The homeowner tax credit benefits homeowners financially, preserves historic buildings, and enhances our local communities and the quality of life in our state.

## How is a residence eligible for the credit?

The building must meet both of the following criteria:

- You must own and live in the building or a portion of the building that will be rehabilitated. The credit does not apply to buildings or portions of buildings that are used in a trade or business or produce income.
- Your building must be one of the following:
  - listed individually in the National Register of Historic Places
  - contributing to a listed National Register historic district
  - determined eligible for individual listing in the National Register by the State Historic Preservation Office
  - an outbuilding that contributes to the significance of a property listed in the National Register

## How is a residence eligible for the credit?

Review and Approval by the SHPO is required **before work begins!**

Plans for the rehabilitation project must be approved by the SHPO to ensure that all work respects the historic character of the building while allowing for reasonable chances to meet today's needs. The SHPO must certify that all project work - including expenses that are not eligible for the credit - meet the Secretary of the Interior's Standards for Rehabilitation. When the rehabilitation is completed, the SHPO must verify that the completed project is consistent with the previously approved proposal.

## What expenses qualify?

Money spent in the following categories may be counted as 'Rehabilitation Expenses' when calculating the amount of credit:

Preservation and rehabilitation work done to the exterior of a historic structure; Repair and rehabilitation of historic structural systems; Restoration of historic plaster; Energy Efficiency measures except insulation in frame walls; Repair or installation of heating, air conditioning, or ventilating systems; Repairs or installation of electrical or plumbing systems exclusive of new electrical appliances and electrical or plumbing fixtures; and Architectural and Engineering fees.

Allowable expenses do not include the cost of new construction beyond the volume of the existing building, the cost of acquiring or marketing the property, the value of an owner's personal labor, or the cost of personal property.

## What 'proposed work' does the SHPO need to review?

State law mandates that the SHPO must review and certify that all "repairs, alterations, rehabilitation, and new construction" on the house and "the property on which it is located" meet the Secretary of the Interior's Standards for Rehabilitation. In other words, the SHPO must review and approve ALL project work before it begins, both rehabilitation work that qualifies for the credit and work that does not.

## How much money must I spend?

You must spend \$15,000 minimum within 36 months on 'Rehabilitation Expenses'. You do not have to complete your entire project within 36 months.

## When can I claim the credits?

The credit must be taken in installments, beginning with the year in which the property is 'placed in service' (meaning the rehabilitation is complete and the building is used as an owner-occupied residence).



THE STATE HISTORIC PRESERVATION OFFICE (SHPO) received 91 applications for the S.C. Homeowner tax credit projects from 13 different counties (vs. 10 counties during the last fiscal year). These projects represent the entire state of South Carolina, covering the lowcountry, midlands, and upstate regions as well as both urban and rural areas of the state.



Total Project Costs (S3)

**\$4.0 Million**



Total Eligible Rehab Expenses (S3)

**\$2.5 Million**



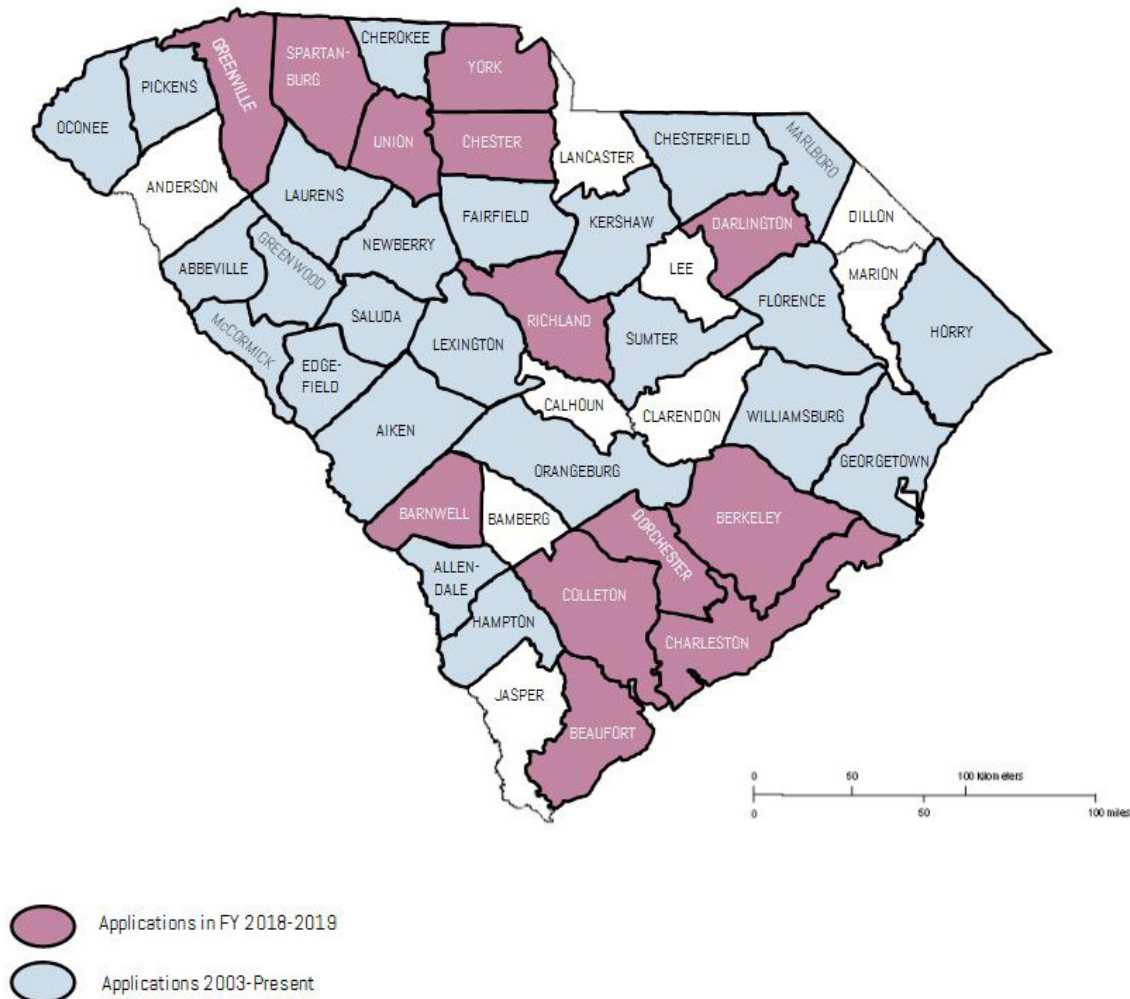
Estimated State Tax Credits Earned

**\$632,533**

The twelve homeowner projects that submitted S3 applications to the SHPO for review and approval during FY '18-'19 reported combined total project costs of approximately \$4 million.

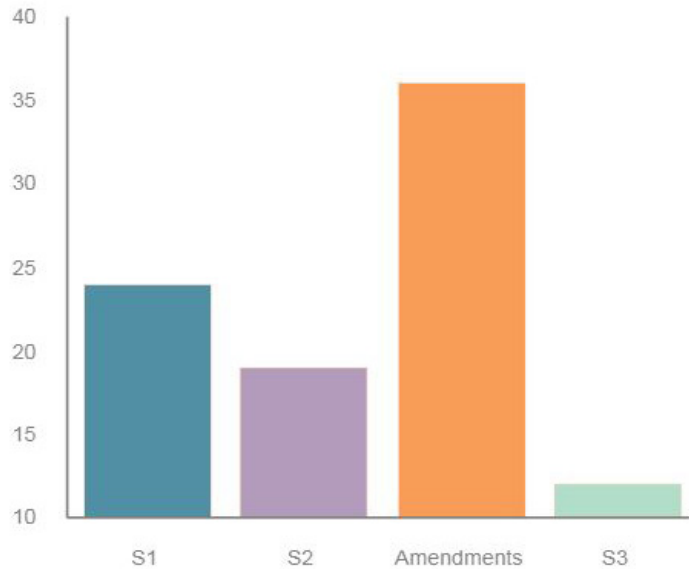
Of the total project costs spent, approximately \$2.5 million was spent on 'allowable rehabilitation expenses'. The estimated tax credits earned by homeowner projects completed in FY '18-'19 is \$632,533. The tax credits earned are distributed over three years and any unused credit may be carried forward up to five years.

## Distribution of Applications Across the State (Homeowner)





### Homeowner Tax Credit Applications



In Fiscal Year 2018-2019 the State Historic Preservation Office (SHPO) reviewed

**91 applications**

for homeowner projects seeking the 25% South Carolina Homeowner historic tax credit.

The number of State Homeowner Historic Tax Credit S3 applications the SHPO received and reviewed during for **completed** projects in Fiscal Year 2018-2019

**INCREASED 20%**

over the previous fiscal year.

In Fiscal Year 2018-2019 the  
**AVERAGE REVIEW TIME**  
for Homeowner Applications:

S1 Applications: 2.5 days  
S2 Applications: 3 days  
S2 Amendments: 5 days  
S3 Applications: 6 days

Average number of review days for complete Homeowner Applications is 35% faster than last year!



**6.3**  
days

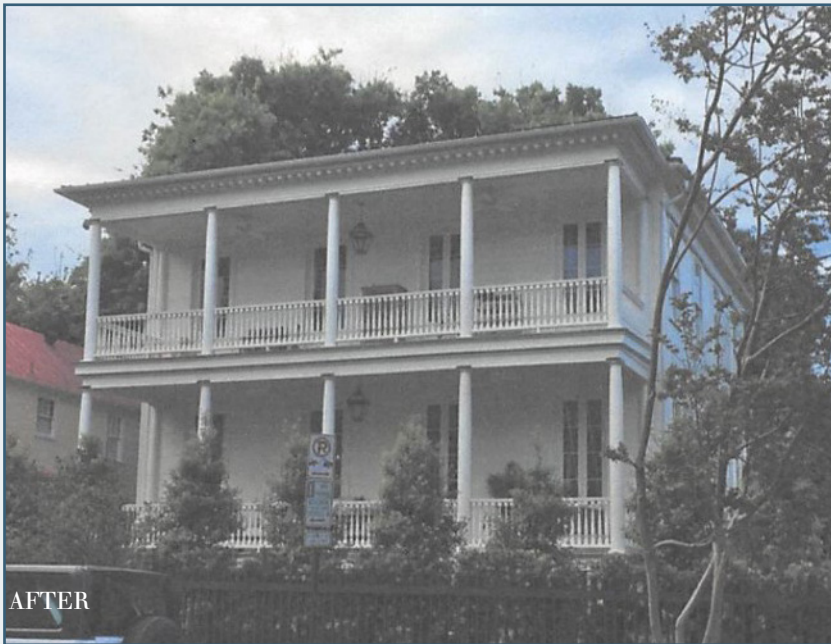
FY '17-18

**4.1**  
days

FY '18-19



BEFORE



AFTER

### Samuel S Mills House (above)

Charleston Historic District | Charleston  
ca. 1839

### Residence (below)

Charleston Historic District | Charleston  
ca. 1880-1890



BELOW



AFTER





BEFORE



BEFORE



AFTER



AFTER

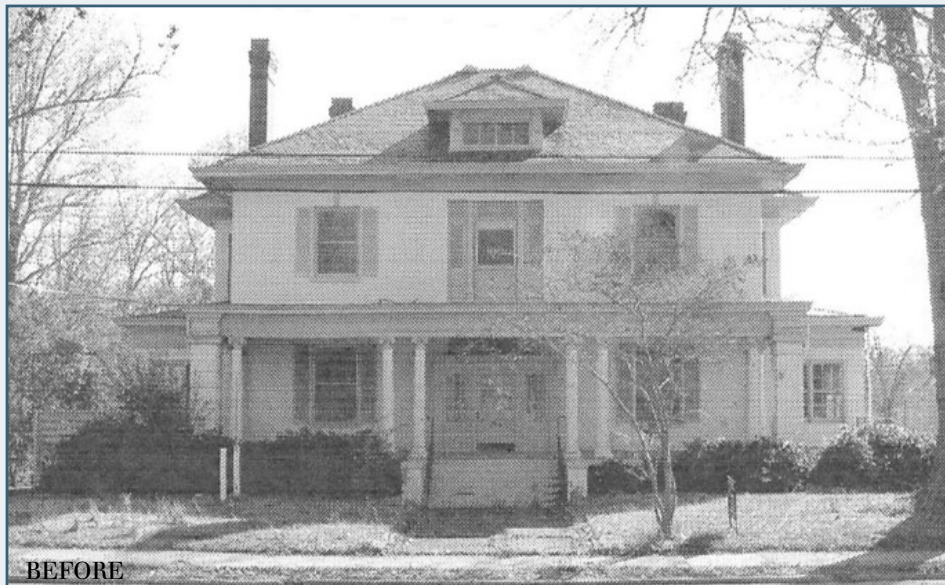
## Fountain Fox Beattie House

Greenville  
ca. 1834



## R.L. Sturgis House (below)

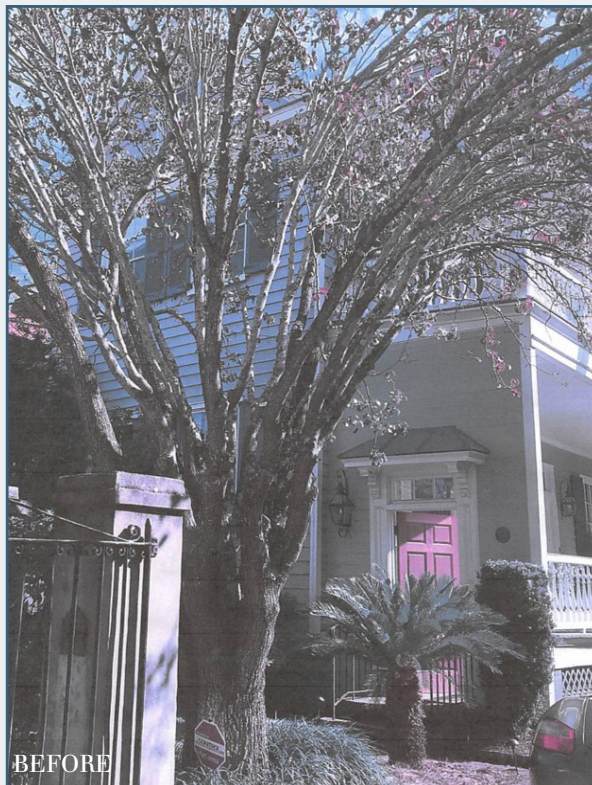
Rock Hill  
ca. 1909



## Residence (below)

Beaufort Historic District | Beaufort  
ca. 1880-1890





BEFORE



AFTER



BEFORE



AFTER

**John Tiedeman House (above left, center)**

Charleston Historic District | Charleston  
ca. 1870

**Gibbons-Gilliland House (right, above right)**

Charleston Historic District | Charleston  
ca. 1843





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