



State Historic Preservation Office

South Carolina Department of Archives and History
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Frequently Asked Questions – Income-Producing Tax Credits

What is an income tax credit?

The federal and state tax credits reduce the amount of income taxes owed. In general, a dollar of tax credit earned reduces the amount of income taxes owed by one dollar. Each tax situation is different, however, and we advise you to check with a tax specialist to determine how the credits would affect your tax liability.

How do I use the credits?

Consult with an attorney or tax specialist to advise you on the tax aspects of the programs and to help you determine the effect of the credits on your tax liability. While the goal of the programs is to preserve historic buildings, they are also income tax programs and must meet Internal Revenue Service (IRS) and South Carolina Department of Revenue (DOR) requirements. The IRS website includes [Rehabilitation Tax Credit - Real Estate Tax Tips](#). See also the NPS page [IRS Info](#).

What buildings qualify for the federal and state credits?

Your 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 as contributing to the significance of the district (by contributing to the district's historic character and retaining its historic appearance).
- 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 do I find out the historic status of the building?

Use the [SC Historic Properties Record \(SCHPR\)](#) and or [SC ArchSite \(GIS\)](#) (Public View Map) to search for National Register listings and for properties that have been evaluated to meet the criteria for listing in the National Register. Contact the [SHPO National Register staff](#) if you have any questions.

How much money must I spend 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.

EXAMPLE #1: Calculating the adjusted basis for a building that was recently purchased

\$ 100,000	(purchase price)
- 20,000	(value of land)
\$ 80,000	(adjusted basis)

In this example, to be "substantial" the rehabilitation expenses would have to exceed \$80,000.

EXAMPLE #2: Calculating the adjusted basis for a building that has been owned for a long time

\$ 80,000 (purchase price)
- 20,000 (value of land)
+20,000 (capital improvements)
- 40,000 (depreciation)
\$ 40,000 (adjusted basis)

In this example, to be "substantial" the rehabilitation expenses would have to exceed \$40,000.

What rehabilitation work qualifies for the credits?

Qualified rehabilitation expenditures 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 are the review criteria?

The National Park Service must review and certify that all work meets the Secretary of the Interior's Standards for Rehabilitation. [The Secretary of the Interior's Standards](#) ensure that 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 the National Park Service.

When can I claim the credits?

You can claim the federal credit in 20% installments over five years on Internal Revenue Service (IRS) form 3468 beginning in the tax year in which the rehabilitated building is placed in service (that is, returned to use). There are also provisions for claiming the credit for phased projects.

Please note: The state credit must be claimed in equal installments beginning with the year in which the property is placed in service. If placed in service after June 9, 2015, the installment equals 33% of the credit amount. If placed in service after June 30, 2003 before June 8, 2015 the credit installment equals 20% of the credit amount. If the tax credit installment exceeds your tax liability you may carry the credit installment forward for up to 5 more years. You will claim the credit by submitting South Carolina Department of Revenue (DOR) form SC SCH TC-21 with a copy of your federal income tax return showing the credit claimed. The form is available on the [DOR website](#).

What if part of the building is my residence and the part is used to produce income?

Applicants seeking state and federal income tax credits for the rehabilitation of a mixed use building (income-producing and owner-occupied residence) must complete the federal HPCA as well as the front sheets of the state Certified Rehabilitation Application. The review of each program requires a description of the entire project, even those portions that are not eligible for the particular credit. Please note that state law requires prior review of all work on the property for the state income tax credits for owner-occupied residential projects. For mixed use projects this means that the entire project must be reviewed prior to construction which includes work that is not eligible for the owner-occupied credits. See [Tips on How to Apply for Mixed Use Projects](#) (PDF).

How do I get started?

1. Determine if your building is listed in the National Register of Historic Places. Use the [SC Historic Properties Record \(SCHPR\)](#) and/or [SC ArchSite \(GIS\)](#) (Public View Map) to search for National Register listings.

2. Visit the [National Park Service Tax Incentives](#) website at or call 803-896-5638 for more detailed information about the tax credits for income-producing buildings. This FAQ is a summary and does not address every aspect of the tax programs.

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 National Park Service (NPS) concerning whether projects meet the Secretary of the Interior's Standards. After the SHPO review is completed, applications are forwarded to NPS, which makes the final decisions. To make sure that your project qualifies for the tax credits submit your application and talk with the SHPO staff before you begin work.

The applicant is responsible for providing the Historic Preservation Application to the SHPO and NPS prior to beginning construction or is at risk of not receiving the credits.

How do I complete an application?

Please review the [Instructions](#) on the NPS website before filling out the forms. To complete your application, you will need:

- Historic Preservation Certification Application (HPCA) and Instructions;
- Photographs of the building(s) before any rehabilitation; a photo key must be submitted as a separate PDF
- Map showing location of the building(s) if listed in a historic district; and
- Plans of proposed rehabilitation work, including specifications for complex work.

HPCA application materials must be submitted electronically to the SHPO. SHPO will forward the application materials with SHPO comments to NPS for review. There are [strict requirements](#) for file formatting, file naming conventions, documentation, and other aspects of electronic application submissions.

Can I email or fax the application forms?

No. All applications must be submitted electronically using the process outlined on the [SHPO electronic application submittal page](#).

What type of photographs do I need to provide?

Provide clear, color, good quality, high resolution photographs. Where HPCA application parts include 20 or less photos, those photos may be submitted as .jpeg files. HPCA application parts of greater than 20 photos must be as PDF files, with no more than 2 images per a 8 ½ by 11-PDF formatted sheet, so that they are large enough to be helpful to the reviewers. NPS provides additional guidance on [documentation requirements](#).

Is there a fee?

There is no fee for Part 1 review. SHPO does not charge a fee; NPS charges fees to process Parts 2 and 3 of the HPCA. NPS contacts the applicant directly about the fee for review. After the applicant pays the fee, NPS completes the review and notifies the applicant directly.

Do you have any tips for successful applications?

Review the application [Instructions](#) on the NPS website.

Download the forms as instructed, then open the downloaded forms on your computer to fill them out.

Electronically sign all parts of the application. At least one copy of each Part must contain an electronic signature. See below for tips on each part of the application.

Tips for a complete Part 1 – Evaluation of Significance

- Include Part 1 if your historic property is not yet listed in the NRHP, is listed as part of a NRHP District, or if it is an individual NRHP listing with more than one building. Document all buildings in the ownership parcel.
- Include a site plan when the property includes more than one building.
- Include the official historic district map from the National Register of Historic Places nomination (not SC ArchSite or other sources).

- If there are multiple historic buildings within an ownership parcel that are **not historically functionally related**, separate Part 1s are required (for example, two adjacent commercial buildings in a historic district that historically operated separately and were combined into a single ownership parcel after the period of significance).
- Photographs for Part 1 must show the property in the “before” condition.
- Check the appropriate attestation box in Section 4 of the application form.
- For properties not yet listed in the NRHP: Consult the SHPO to ensure that it meets the criteria for NRHP listing; and include documentation substantially similar to a draft NRHP nomination with the Part 1.

Tips for a complete Part 2 – Description of Rehabilitation Work

- A Part 2 is required for all rehabilitation projects and **applicants are strongly encouraged to provide a completed Part 2 prior to beginning their project**. An approved Part 2 from the NPS means that the work described in the application would be approved if completed as proposed.
- Include ALL WORK. Even when work is not eligible for the credits, such as a new addition, that work must be included in the application so that it can be reviewed as part of the overall project.
- Include a FULL DESCRIPTION of project work on the Part 2 form. That written description, which is signed by the taxpayer/owner, is the official application. NPS considers plans and specifications as attachments or supplementary information. While plans and specifications are very helpful to the reviewers, the official project description is the work described in the application.
- For mixed use buildings, we recommend that this full description be completed (once) on the federal form. Separate and identify the work that is eligible for the income-producing portion from the owner-occupied residence portion of the building. Provide the front sheets from both the federal HPCA and the state Certified Rehabilitation Application S2 along with the description of project work.
- Provide REDUCED PLANS if they are readable. If possible, reduce the plans to 11 x 17 sheets. If the plans are not readable at that size, then provide a larger size to ensure that the reviewer can understand the proposed work. SHPO reserves the right to request hard copy plans for review.
- Existing and proposed plans must be submitted as separate PDFs.

Tips for a complete Amendment/Advisory Determination

- The SHPO and NPS use the information on the Amendment/Advisory Determination form to determine if proposed changes in the work can be approved. An applicant may use the Amendment/Advisory Determination to provide additional information; clarify a work item; change the work from the initial proposal; update applicant or contact information; or request a phase advisory. .
- Describe each aspect of the changed work on the form - “See Attached” is not a description.
- Refer to the specific sheet(s) of plans on which the changes were made for that item, and include the sheets that show the changes. Do not provide full sets of revised plans, the SHPO and NPS will not review full sets of plans for an amendment.

Tips for a complete Part 3 – Request for Certification of Completed Work

- The SHPO and NPS use the information included with the Part 3 to determine if the completed work was consistent with the proposed work. An approved Part 3 from NPS means that the work is completed as approved and the rehabilitation is a Certified Rehabilitation.
- All work must be complete. If not, contact the SHPO for specific instructions.
- Include photographs of the completed work; be sure to include shots that cover the same areas as the photographs for the Part 2.