



South Carolina State Historic Preservation Office, South Carolina Department of Archives and History

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Tax Savings for Owners of Historic Buildings

In South Carolina, there are a number of state and federal tax incentives to help with the costs of preserving historic buildings. Both owner-occupied historic homes and historic buildings used to produce income, such as stores, offices, and apartments, may be eligible for tax incentives.

Tax Incentive Program	Owner-Occupied Historic Residence	Income-Producing Historic Building	Mixed Use Historic Building (see note)
A. 20% Federal Historic Rehabilitation Tax Credit		✓	partial credit
B. 10% State Historic Rehabilitation Tax Credit (25% option)		✓	partial credit
C. 25% State Historic Rehabilitation Tax Credit	✓		partial credit
D. Local Property Tax Special Assessment	✓	✓	✓
E. Federal Income Tax Deduction for Easement Donations	✓	✓	✓

Note: A rehabilitation project involving mixed uses (a store on the first floor and an owner-occupied residence on the second floor, for example) may be eligible for two different tax incentive programs. In these projects, rehabilitation costs must be allocated for each use, with a corresponding allocation of the tax credits. For more information, refer to *Tips on How to Apply for Mixed-Use Projects*. Available at <https://scdah.sc.gov/historic-preservation/programs/tax-incentives/income-producing>.

Historic Preservation Tax Incentives — The Basics

The descriptions that follow are brief and do not include all of the detailed requirements for each program. Taxpayers/owners should read the other sources of information indicated at the end of each description and consult with an accountant or other professional tax advisor for help in determining whether the programs will be of benefit to them. For rehabilitation projects, contact the State Historic Preservation Office (SHPO) early in the planning process. Some of the programs require approval before work begins.

A. 20% Federal Historic Rehabilitation Tax Credit

Incentive: Federal income tax credit equal to 20% of rehabilitation costs. In general, one dollar of tax credit earned reduces federal income taxes owed by one dollar.

Eligible buildings: Buildings listed individually in the National Register of Historic Places or buildings that contribute to a National Register historic district.

Eligible use: Income-producing use (such as offices, stores, or rental housing).

Expenditure requirements: Costs must exceed the adjusted basis of the building (the purchase price, minus the cost of the land, plus the value of improvements made, minus depreciation already taken).

Review of work: The National Park Service must certify that the rehabilitation meets the Secretary of the Interior's *Standards for Rehabilitation*. Review begins with the State Historic Preservation Office (SHPO).

Authorizing legislation: Tax Reform Act of 1986 (PL99-514; Internal Revenue Code Section 47), also Tax Cuts and Jobs Act of 2017 (Public Law 115-97).

For more information: SHPO (<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/income-producing>) and National Park Service (<https://www.nps.gov/tps/index.htm>) websites.

B. 10% State Historic Rehabilitation Tax Credit (25% option)

Owners of income-producing historic buildings in South Carolina who meet the requirements for the 20% Federal Historic Rehabilitation Tax Credit may also qualify for a state income tax credit. Taxpayers do not have to go through a separate state application process. Successfully completing the federal application process qualifies them for the state credit.

Incentive: State income tax credit equal to 10% or 25% (25% credit capped at \$1 million per historic structure, 10% credit not capped). In general, one dollar of tax credit earned reduces state income taxes owed by one dollar.

Eligible use: Income-producing use.

Authorizing legislation: SC Rehabilitation Incentives Act (Section 12-6-3535, SC Code of Laws, 1976, as amended).

For more information: (<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/income-producing>).

C. 25% State Historic Rehabilitation Tax Credit

Incentive: State income tax credit equal to 25% of *allowable rehabilitation expenses*. In general, each dollar of tax credit earned reduces state income taxes owed by one dollar. *Allowable expenses* include exterior rehabilitation work; historic structural systems repair, improving energy efficiency; repairs and installation of heating, air-conditioning, plumbing, and electrical systems historic plaster restoration; architectural and engineering fees.

Eligible buildings: Buildings must be listed in the National Register of Historic Places, individually eligible for the National Register, contribute to a National Register historic district, or be a historic outbuilding associated with a residence that is eligible for the program.

Eligible use: Owner-occupied residence (not used in a trade or business, held for the production of income, or held for sale or disposition in the ordinary course of the taxpayer's trade or business).

Expenditure requirements: \$15,000 of *allowable rehabilitation expenses* within 36 months. (See above.)

Review of work: The State Historic Preservation Office (SHPO) must review and approve plans **before work begins**. The SHPO must certify that the rehabilitation meets the Secretary of the Interior's *Standards for Rehabilitation*.

Authorizing legislation: SC Rehabilitation Incentives Act (Section 12-6-3535, SC Code of Laws, 1976, as amended).

For more information: (<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/homeowner>).

D. Local Property Tax Special Assessment

Incentive: The property is assessed on the pre-rehabilitation fair market value for the length of the special assessment (up to 20 years; length set by the local government).

Eligible buildings: Building must be designated historic by the local government. Local government must have adopted an ordinance to implement the property tax abatement. Buildings designated historic by the local government can include buildings listed individually in the National Register of Historic Places, contributing to a National Register historic district, or buildings that meet the local government's criteria for historic designation.

Eligible use: Owner-occupied residence or income-producing building.

Expenditure requirements: Expenditures for rehabilitation must exceed the minimum expenditure set by the local government. This can range from 20% to 100% of the fair market value of the building.

Review of work: A reviewing authority must approve that the proposed and completed rehabilitation work is appropriate for the historic building and the historic district in which it is located. The reviewing authority is the local board of architectural review, another designated entity with historic preservation expertise, or the State Historic Preservation Office (SHPO).

Authorizing legislation: Sections 4-9-195 and 5-21-140, SC Code of Laws, 1976, as amended (often referred to as the "Bailey Bill"). **You must check with your local government to determine if it has passed an ordinance.**

For more information: (<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/local-property-tax>).

E. Federal Income Tax Incentives for Easement Donations

Incentive: Income and estate tax deductions.

Eligible buildings: Buildings listed individually in the National Register of Historic Places or buildings that contribute to a National Register historic district. (Historically important land areas are also eligible.)

Eligible use: Owner-occupied residence or income-producing building.

Expenditure requirements: Rehabilitation work is not required for this incentive. The incentive is based on the charitable contribution of a partial interest in a historic property (i.e. easement) to a government or nonprofit organization. When donors donate easements on historic

buildings, they pledge to preserve significant historic features and agree to obtain the easement holder's consent before making alterations.

Authorizing legislation: Tax Reform Act of 1986 (Internal Revenue Code Section 170(h)).

For more information: SHPO (<https://scdah.sc.gov/historic-preservation/programs/tax-incentives/easements>) and National Park Service (<https://www.nps.gov/tps/index.htm>) websites.

Note: SC law does not mandate tax incentives for the donation of easements to preserve historic properties. However, the Conservation Easement Act of 1991 states: "For ad valorem tax purposes real property that is burdened by a conservation easement must be assessed and taxed on a basis that reflects the existence of the easement." (Section 27-8-70, SC Code of Laws, 1976, as amended).

Other Tax Incentives for Rehabilitation Projects

25% SC Textile Revitalization Credit

The SC Textiles Communities Revitalization Act (SC Code of Laws 12-65, 1976, as amended) provides tax incentives to encourage the rehabilitation, renovation and redevelopment of abandoned textile mill sites. A taxpayer who meets the requirements of the law and improves, renovates, or redevelops an abandoned textile mill building is eligible for either a credit against local property taxes or a state income tax credit.

25% Abandoned Buildings Revitalization Credit

The SC Abandoned Buildings Revitalization Act (SC Code of Laws 12-67, SC Code of Laws, 1976, as amended) provides tax incentives to encourage the rehabilitation, renovation and redevelopment of abandoned buildings. A taxpayer who meets the requirements of the law and

improves, renovates, or redevelops an abandoned building is eligible for either a credit against local property taxes or a state income tax credit.

Federal Income Tax Credit for Low Income Housing

The Tax Reform Act of 1986 (Internal Revenue Code Section 42) created an income tax credit for the acquisition, construction, or rehabilitation of low income housing. Developers can use the Low Income Housing Tax Credit (LIHTC) with the 20% Federal Historic Rehabilitation Tax Credit to rehabilitate historic buildings to provide rental units for low income residents. For more information, visit the website of the State Housing Finance and Development Authority at <https://www.schousing.com/>, which allocates the LIHTC in South Carolina.

Questions? SC Department of Archives & History / 8301 Parklane Road / Columbia, SC 29223 / 803-896-5638 (income-producing) 803-896-6174 (owner-occupied historic residence)

This publication does not provide legal, tax or accounting advice; the information provided is intended to be general in nature. You are strongly encouraged to consult your own professional tax, accounting and legal advisors on individual tax matters, or consult the SC Department of Revenue or the Internal Revenue Service (IRS). The SHPO is not responsible for the information or advice provided here as it may affect the specific tax consequences to any individual (including sole proprietor), corporate, partnership, estate or trust taxpayer, which will depend on many other facts and circumstances. The information is for the general benefit of persons interested in obtaining certifications that may allow them to qualify for federal and/or state historic income tax credits. Given the frequency of changes in federal and state tax laws, regulations and guidance, the information represents a good faith effort to reference controlling laws and regulations as accurately as possible.

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