



## South Carolina State Income Tax Credits/Benefits Affecting Residential Property

1.) Residential Historic Rehabilitation Tax Credit. The South Carolina legislature recently passed a benefit which mirrors the existing Commercial/Income-Producing Historic Rehabilitation Tax Credit; however, the new law now allows residents who rehabilitate their owner-occupied residence to be eligible to subtract up to 25% of the costs of renovations in the form of a 1:1 state income tax credit, which may be (a) taken as a personal tax credit, or (b) monetized through a tax credit exchange market where SC State Income Tax Credits typically sell for \$0.65-\$0.70 on the dollar.

- (i) For homes to be considered, they must either be (a) listed on the National Register of Historic Places, (b) contributing to a National Register historic district, or (c) determined eligible for individual listing in the National Register by the state's preservation office.
- (ii) The property owner must submit a historic preservation application, along with architectural plans and technical drawings, to the states Historic Preservation Office (SHPO) prior to the commencement of construction.
- (iii) The property owner must spend at least \$15,000 in 36 months on efforts to rehabilitate the residence.
- (iv) Qualifying Rehabilitation Expenditures (QREs) include items such as:
  - a. preservation and rehabilitation work done to the exterior of the residential structure;
  - b. repair and stabilization of historic structural systems;
  - c. restoration of historic plaster;
  - d. energy efficiency measures except insulation in frame walls;
  - e. repairs or rehabilitation of heating, air-conditioning, or ventilating systems;
  - f. repairs or rehabilitation of electrical or plumbing systems excluding new electrical appliances and electrical or plumbing fixtures, and architectural and engineering fees.

2.) Conservation Easement. Another potential tax benefit is a Historical Conservation Facade Easement (HCFE). An HCFE is the tax-deductible grant of an historic façade easement to a 501(c)(3) tax exempt entity (*i.e. The Charleston Historic Preservation Society*), which essentially provides for the preservation of the building's facades (all sides and roof).

The charitable organization that receives the easement has the legal ability to enforce it, should the need arise. If a conservation easement is selected, a charitable contribution is available, thus reducing the individual's income taxes. This makes financial sense for those in the high-income tax bracket.

The value of the easement is normally determined by the "before and after" method. This approach appraises the underlying property before the grant of the easement and after the grant of the easement, with the difference being the value of the easement.



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