

APPENDIX D—FINANCIAL INCENTIVES FOR HISTORIC BUILDING REHABILITATION

The properties within Sullivan's Island's Historic Overlay Districts are also within National Register Historic Districts. Most properties are owner-occupied dwellings and there is a State Tax Credit available for their rehabilitation. There are also Federal Tax Credits for income-producing properties such as rental properties or former dwellings now used for commercial purposes. .

Federal Tax Credit

The federal tax credit is for income-producing properties such as offices, retail businesses and rental residential units. This tax credit is 20% of the qualified rehabilitation costs and can be taken over a five-year period. The credit is 20% of what an owner spends rehabilitating the building, not including acquisition costs or costs of site work or new construction.

To qualify for the 20% Credit:

1. The building must be listed on the National Register of Historic Places, or listed as a contributing structure within a National Register Historic District.
2. The rehabilitation project must meet the "substantial rehabilitation test," which means you must spend the adjusted value of the building or \$5000, whichever is greater. The figure is derived by subtracting the value of the land from the cost of the building and land together.
3. After rehabilitation, the structure must be income producing for five years (commercial, rental, B&B).
4. The rehabilitation must meet *The Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitation of Historic Buildings.*

South Carolina Historic Rehabilitation Tax Credit

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.

A taxpayer's dwelling must meet both of these criteria:

- You must own and live in the building or a portion of the building that will be rehabilitated. It can be a house or another type of historic building, such as a school or store, that you are rehabilitating to live in. A historic outbuilding associated with your residence, such as a barn or a garage, can also be eligible for the credit. 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, be contributing to a listed National Register historic district, or determined eligible for individual listing in the National Register.

Review and approval by the South Carolina Department of Archives and History is required before work begins. For further information concerning the state tax credit contact the following:

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