

# State Income Tax Credit for the Rehabilitation of Owner Occupied Residences

## *Frequently Asked Questions*

- Q** I have a house that is not listed in the National Register, but it is 100 years old and has great architectural details. I plan to restore it. Would my house be eligible for the state income tax credit?
- A** It may be--if the State Historic Preservation Office (SHPO) considers the house to meet the criteria for the National Register. You will need to complete an S-1 application to provide us information to evaluate whether the house meets the criteria for the National Register.
- Q** Where can I get a copy of the application?
- A** If you have access to the internet, the application and instructions are accessible on the SHPO website. You can print the application and fill it out by hand, or you download the application in Adobe Acrobat and fill it out on your computer. Or, we can send you a paper copy of the application.
- Q** My house in Charleston is not located in the National Register historic district, but it is included in the area that was determined eligible for the National Register about 20 years ago. Would my house qualify for the state income tax credit?
- A** Your house would not qualify for the credit unless the SHPO considers it to be individually eligible for the National Register. A building that would contribute to a historic district that is eligible for the National Register—but not listed---does not qualify for the tax credit.
- Q** I have purchased an old school that I plan to rehabilitate for my home. Can I use the tax credit or does it apply only to houses?
- A** The tax credit applies to any owner occupied residence that is listed in or considered by the SHPO to be individually eligible for the National Register. The residence does not have to be a house.

- Q** I've been told that I would have to live in a house at least 5 years if I claimed an income tax credit for rehabilitating it. Is this true?
- A** No, selling the property would have no effect on your ability to claim the credit. However, the law does not allow the tax credit to be taken on properties held for sale or disposition. In other words, the tax credit may not be taken to rehabilitate a residence for the sole purpose of selling that property.
- Q** I'm planning a major renovation of my house. The work includes rehabilitation expenses that qualify for the credit such as replacing the tile roof. I understand that the SHPO will need to review plans for this work. However, I'm also planning interior renovations that will not be eligible for the credit such as refinishing the historic floors, expanding the bathroom, and installing new kitchen cabinets. Will you need to approve the work items that do not qualify as rehabilitation expenses?
- A** Yes, the law states 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.
- Q** The SHPO has said that my historic house is not eligible for the National Register because of the insensitive changes that have been made to it. However, I plan to "undo" those changes. Can I claim a state income tax credit for that work?
- A** No, the SHPO must consider the house to meet the National Register criteria before the work for which you claim a tax credit begins. If, after the work to "undo" the insensitive alterations is completed, the SHPO considers the house to be eligible for the National Register, the house could qualify for a tax credit if more work is planned. In other words, work done before the house is considered eligible would not qualify for the credit, but later work might.
- Q** I understand that I must spend at least \$15,000 on eligible rehabilitation expenses within 36 months to qualify for this program. Does this mean I have to complete my project in 36 months?
- A** No. Once you meet the \$15,000 threshold, you may take as long as needed to complete your project. The \$15,000 must be spent within 36 months at any point of your project.

**Q** I have hired a preservation consultant to complete the tax credit application, write a history of my house, and take photographs. Would their fees count as part of the allowable expenses for “architectural fees?”

**A** Yes.

**Q** Is there a limit on the amount of tax credit that I may claim?

**A** No, there is no limit on the credits that can be earned. The program is somewhat self-limiting, however, since you must **use** the credits in five installments (beginning with the year the property is placed in service) with a provision for carrying any unused credit installment forward up to five years. Credit in excess of tax liability cannot be refunded, and any unused credit that is not used in the carry-forward process expires.

**Q** I have just completed a careful restoration of my house, which is listed in the National Register. Can I claim a state income tax credit on the money I spent?

**A** No, the law states that the SHPO must certify that repairs or alterations are consistent with the Secretary of the Interior’s Standards for Rehabilitation “before the commencement of work.”

**Q** I have discovered more work that needs to be done on my house after I submitted an S3. Can I claim another tax credit?

**A** No. You are limited to one credit on the same “certified historic residential structure” within ten years. However, the SHPO will still need to review any proposed work **for five years** after the submission of the S3.

**Q** What “proposed work” does the SHPO need to review after I have completed my tax credit project?

**A** Additional work on the property within the initial five years must be consistent with the Secretary of the Interior’s Standards for Rehabilitation. Ordinary maintenance and routine repair with matching materials and finishes are not considered “additional work” in this program. Such work could include routine repair of existing mechanical, plumbing, and electrical systems or repainting. You are responsible for notifying the SHPO when maintenance and repair work is extensive or cannot be completed with matching materials and finishes.