

8/29/2024

Seneca Journal

# SC's abandoned

## buildings tax credit

THE (CHARLESTON) POST AND COURIER

As South Carolina continues to lead the nation in growth, its ongoing challenge is to ensure all of its new population and accompanying development don't change what drew people to this state in the first place.

That can mean a lot of things. In rural areas, the state's challenge is to conserve our most environmentally sensitive areas, our best farmland and our best scenery. In urban areas, it means building in thoughtful, beautiful and familiar ways, ideally so people who have lived away from their hometown for years can return and find a lot that looks familiar.

Toward that end, state lawmakers and Gov. Henry McMaster were wise to extend and expand the state's unique tax credit for developers who take abandoned buildings and bring them back to life.

Since 2013, South Carolina has had an abandoned building tax credit to encourage owners of such buildings to find a new use for them. As The Post and Courier's Nick Reynolds notes, 276 projects had been completed across the state by the end of 2022, buoyed by almost \$15 million in state help — via a credit against state income taxes owed. The credit had allowed savings of up to \$500,000 on a single building, and that has now been raised to \$700,000, reflecting rising construction costs. And instead of expiring in 2025, the new law extends that to 2035.

At least two-thirds of a building must have been vacant for at least five years in order for it to qualify, and the rehabilitation costs must be at least \$75,000, \$150,000 or \$250,000, depending on the population of the city or town it's in. The same law also offers a new corporate income tax credit for railroads that replace or repair their lines, a legitimate incentive given that increased use of the state's rail lines will be key to minimizing congestion on roads.

The advantages of preserving and

rehabilitating an abandoned building instead of tearing it down and building new are many and can include saving energy and land-fill space, preserving a part of an area's past that isn't historic today but eventually could be considered so and helping to preserve our collective memory of place.

It often costs more to rehabilitate an older building and bring it up to code, so state incentives should help close that gap. That's why South Carolina has similar tax credits for working on income-producing historic buildings and on historic homes. Those are monitored by the State Historic Preservation Office and require work to abide by historic standards; the state's abandoned building tax credit has no such review and is administered by the state Department of Revenue. However, it is possible that a developer could get both abandoned building and historic tax credits. (Last year set a record for income-producing historic tax credits, with 34 projects involving private investment of almost \$219 million.)

As Mr. Reynolds noted, neither the Revenue Department nor the state office of Revenue and Fiscal Affairs tracks the return on investment from abandoned building tax credits, but supporters say the results can be seen in many communities, as familiar landmarks have been brought back to life. The credit reimburses developers for only 25% of their total cost, and the projects often generate more property taxes, payroll taxes and sales taxes, so if those numbers were crunched, we believe they would show that the state is getting a good deal.

Mr. McMaster said the revival of once-neglected properties "will have a ripple effect in the areas around them, preserving our history, creating new jobs and helping to bring even more pride to our communities." He's right.

In fact, it's the intangible aspect to the work encouraged by these credits that might mean the most.