



South Carolina Department of Archives and History
1430 Senate Street
Columbia, S. C.

P.O. Box 11,669

1 December 1981 Capitol Station 29211-1669

803-758-5816

RE: TAX BENEFITS

Ms. Susan Alderson Hoffman
SPACES
1804 North Van Ness
Los Angeles, California 90028

Dear Ms. Hoffman:

Thank you for your interest in the provisions of the Tax Reform Act of 1976 related to rehabilitation expenditures made prior to 31 December 1981, and the Economic Recovery Act of 1981 which will go into effect on 1 January 1982. This new law allows tax credits of 15, 20, or 25% (depending upon the age and historic status of a building) with a 15-year recovery period. You should also be aware that certain provisions of the Revenue Act of 1978 apply to current projects. Section 48(a)(1)(E) of the code, as amended by the Revenue Act, allows (for work done prior to 1982) a 10% investment credit for "qualified rehabilitation expenditures" that are made in connection with work undertaken on a "qualified rehabilitated building." This includes all types of business except property used for residential purposes, such as apartments.

Enclosed are copies of several items (see annotated list) explaining provisions of the Tax Reform Act and the Economic Recovery Act. It is important that you know that the provisions are applicable only to those properties rehabilitated for commercial, office, or rental use. Residential properties which are not rented or used for commercial or office purposes are not eligible for the tax benefits. In addition, to qualify for the investment tax credit after 1 January 1982, a building must be substantially rehabilitated. "Substantial rehabilitation" is defined as \$5,000 or the cost of the building minus any depreciation already claimed. Unfortunately, some smaller rehabilitation projects may not meet this requirement.

On the enclosure sheet are instructions for completing the application in South Carolina. Please read and follow these carefully in order to avoid delays due to an incomplete application. This office will review your application and forward it with our comments to the US Department of the Interior where the decision is made on the certification of both historical significance and rehabilitation. Please note -- it is important to consult with us before beginning your project. If possible, submit Part 2 of the application prior to beginning rehabilitation work so that our architectural consultant, John Laurens, may study the project and advise you. Project evaluation is made on the basis of the Secretary of the Interior's Standards for Rehabilitation and, if a completed project is determined not to meet those standards, it will not be eligible for tax benefits.

Instructions for completing the forms should be clear; however, if you have questions, do not hesitate to call Nancy Meriwether in this office.

Sincerely,

Janet T. Lamb
Technical Information Specialist

Enclosures: 12