

Abandoned Building Credit Calculation for Parkside Commons

According to the South Carolina Code of Laws – Title 12 – Chapter 67 – South Carolina Abandoned Buildings Revitalization Act, there exist properties around the state of South Carolina with abandoned buildings that qualify for Abandoned Building Tax Credits. The statute was created to help provide a financial incentive and encourage private investment to redevelop these abandoned buildings.

The amount of Abandoned Building Tax Credits equals twenty-five percent of the actual rehabilitation expenses incurred at the site (Section 12-67-140.B2. Eligibility for credit). Rehabilitation expenses include rehabilitation, demolition, renovation, redevelopment, site improvements, and construction of new buildings at the building site (Section 12-67-120.Definitions.6). The credit must be taken in equal installments over a three-year period, but you earn the entire credit in the taxable year that the building site is placed in service (Section 12-67-140.B3a. Eligibility for credit). However, the entire credit may not exceed seven hundred thousand dollars for any taxpayer (Section 12-67-140.B3b. Eligibility for credit).

Therefore, in order to get the full \$700,000 in credits (\$700,000 is 25% of \$2,800,000) you have to have \$2,800,000 in eligible rehabilitation expenses. In calculating the amount of equity that the Abandoned Building Credit will bring to this development, we will far exceed the \$2,800,000 in rehabilitation expenses, so we will be eligible for the full \$700,000 in credits (\$2,800,000 x 25%). After talking to several syndicators, they believe that \$0.45 is a fair and marketable price for these credits. If you take \$700,000 x \$0.45, that brings \$315,000 in cash equity.

Calculation:

$$\$2,800,000 \times 25\% = \$700,000$$

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