

STATE PROPERTY TAX MORATORIUM OVERVIEW

The South Dakota Legislature has provided for certain property tax benefits for the rehabilitation of historic structures in SDCL 1-19A-20. If a historic building qualifies for the tax benefit, an eight-year moratorium is placed on the property tax assessment of certified improvements. Property tax assessments may not be increased due to certified rehabilitation of the building for the eight-year period.

The State Property Tax Moratorium may be utilized by the owner of any certified historic structure, including private residences. To be eligible for the program, the property must meet the following criteria:

1. Listed on the State or National Register of Historic Places individually or as a contributing resource in a historic district;
2. Rehabilitated according to the Secretary of the Interior's *Standards for Rehabilitation*;
3. Certified for tax exemption by the South Dakota State Historical Society Board of Trustees;
4. Encumbered with a covenant attached to the deed of the property for the life of the moratorium guaranteeing the continued maintenance and protection of the building's historic features for the life of the moratorium.

Application for certification is made by the property owner, who submits a completed application form and supporting documents to the State Historical Society, State Historic Preservation Office (SHPO) for every year that work is undertaken. The Restoration Specialist at the SHPO reviews the application and supporting documentation and any potentially controversial items are discussed with the owner.

Although formal application for certification is made after work on the building is completed, **it is strongly suggested that the owner/developer/contractor submit plans and specifications for a proposed project to the SHPO prior to beginning work.** The Restoration Specialist can review the proposed rehabilitation and assist owners to interpret the Secretary's *Standards*. Prior to beginning work, non-conforming portions of a plan can be discussed by the owner and SHPO staff in order to bring about conformance. It can be costly and difficult, and is sometimes impossible, to correct work that is not in conformance with the *Standards* after work has begun.

For smaller projects, it is recommended that you contact your county equalization office prior to submitting an application to determine whether your proposed project will affect your assessed property values.

Once the application is received, it is reviewed by the SHPO staff and a recommendation is made to the Board of Trustees, who makes the final determination of certification based on whether the work meets the Secretary of the Interior's *Standards for Rehabilitation*. If the Board issues a certificate of eligibility for the moratorium, the owner must file the covenant with the Register of Deeds in the county in which the property is located **before the SHPO sends the appropriate paperwork to the Director of Equalization to activate the moratorium.** The property tax assessment of certified rehabilitation work is frozen as of January 1 of the year in which the certification is granted and carries forward for a total of eight years.

IMPORTANT POINTS:

Certification is granted or denied by the Board of Trustees based on the Secretary of the Interior's *Standards for Rehabilitation*, which have been adopted by the Board. Their determination is based on the descriptions in the application and on the photographs submitted.

Applications must be submitted the year that the work is undertaken. Work undertaken in subsequent calendar years must be submitted in separate application in those years. **Work undertaken in previous calendar years is not eligible.**

Any rehabilitation work on the building that is completed after official certification is granted by the Board of Trustees will not receive the moratorium unless a new application is made the following year for the additional work. **If rehabilitation cannot be completed in single year, the owner should develop a plan that divides the work into separate and distinct phases that can be certified as they are undertaken.**

Before and after photographs of the work undertaken and one photograph of the front of the building **are required** with the application. Photos should be submitted in digital format on CD-ROM or USB Flash Drive. **Please do not submit photos in PDF format or Word document form. Save them as JPG's on the CD ROM or USB Flash Drive.**

All tax certification applications submitted to the SHPO during the calendar year will be formally reviewed in December of the year they are received. Applications should be submitted no later than **November 1** to allow sufficient time for the application to be reviewed prior to the Board meeting. **The SHPO reserves the right to refuse late applications.**

Nominations for listing the property on the State or National Register of Historic Places must also be received no later than October 1 of the year in which the application for the State Property Tax Moratorium is submitted.

The State Property Tax Moratorium is independent of and separate from any Federal tax benefits.

OWNER'S RESPONSIBILITIES:

In order for the property to retain its tax benefits, the owner must guarantee the public some benefit for the loss in tax revenue. This guarantee is in the form of a covenant, which binds the owner to the following:

1. The owner must maintain the property in good order and make alterations in a manner that conforms to restoration and rehabilitation standards, as deemed by the State, for an eight-year period.
2. The owner must allow the public to view those portions of the project approved as tax-exempt work for at least twelve hours a year.
3. The owner must adequately insure the building against fire and, if necessary, flood.

For more information, please contact:

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