



The state of South Carolina enacted income tax incentives for the rehabilitation of historic structures, abandoned buildings, textile properties and retail facility revitalization.

TAX CREDIT SUMMARY:

- May offset up to 100% of taxpayer's SC individual income tax or corporate income tax liability.
- Excess credits carry forward five years.
- No recapture provisions.
- Pricing at \$0.88 per credit.
- Credits are allocable through an entity taxable as a partnership.

PROCESS:

- Monarch Private Capital (MPC) invests in partnerships with historic project developers, abandoned mill developers, abandoned building developers, and abandoned retail facility developers to receive the tax credits generated by the developments. Thereafter, MPC creates a fund (MPC SC 2024 ICF, LLC) that contains the tax credits from the various projects.
- Investors invest in the fund by making a capital contribution to receive an allocation of SC tax credits.
- In 2025, investors will receive a 2024 K-1 showing their allocation of tax credits.
- Investors will receive additional K-1s for years 2025-2029, showing a small loss or zeros.
- MPC SC 2024 ICF, LLC will liquidate in 2029.

TAX TREATMENT:

- Investor is deemed to have acquired an intangible asset, a tax credit.
- The asset is deemed to be sold when the investor claims the credit and uses it against a tax liability on their SC tax return.
- Of the capital contribution made to the partnership, 99% is allocated to the basis in the tax credits and 1% is allocated to the investor's capital account.
- Investor is taxed on the difference between the deemed proceeds (face value of the credit) and the 99% allocated to the basis in the tax credits. This gain is treated as a capital gain.
- Investor also receives a deduction for state income taxes paid for the deemed proceeds on their federal return.
- Any remaining basis is realized when partnership liquidates in 2029.

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EXAMPLE:

- Investor has a \$100,000 2024 SC corporate or individual income tax liability and acquires 100,000 credits.
- Investor makes a capital contribution in the amount of \$88,000 ($100,000 \times \0.88) to MPC SC 2024 ICF, LLC. Of the \$88,000 capital contribution, 99% is allocated to the basis in the tax credits and 1% is allocated to the investor's capital account.
- Investor receives a 2024 K-1 in 2025, showing 100,000 SC tax credits. Investor files their 2024 SC tax return and uses the credits to offset their liability.
- A 2024 capital gain is recognized by the investor of \$12,880 [$\$100,000 - \$87,120 (\$88,000 \times 0.99)$].
- Investor receives a deduction for state income taxes paid of \$100,000.
- In years 2025-2029, the investor receives a K-1, showing a small loss or zeros.
- MPC SC 2024 ICF, LLC liquidates in 2029 and the investor recognizes an \$880 long-term capital loss.

For further questions or to contact us, please email George Strobel | Gstrobel@monarchprivate.com

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