



SOUTH CAROLINA PROPERTY TAXES



Changes to South Carolina's property tax structure in 2006 have had a negative effect on the real estate market and economic development in South Carolina.

Property tax issues are driving real estate investors out of our state, while businesses considering locating in South Carolina are choosing our neighboring states. From industrial properties in the Upstate, to commercial facilities in the Midlands and investment residential property along the coast, every market has suffered.

Prior to 2006, South Carolina counties re-assessed the value of real property every five years. Each of the forty-six counties had a different assessment method. Some counties assessed very close to market value, while others were closer to fifty percent of market value. Millage rates were set to meet the budgetary needs of the county, given the total assessed property value in that county. In 2006, the General Assembly enacted property tax reform that provided for point-of-sales assessments. Now, property is reassessed each time it is transferred, based on the sales price. Regrettably, this has created serious inequities in the real estate market.

Residential Inequities

In the residential market, neighboring properties now have gross differences in property tax obligations, based only on the date of sale. This inequity will only worsen over time. Longtime residents are wary of moving, for fear of taking on an increased property tax burden. Investors looking for property in South Carolina have reconsidered, based on tax complications in our state.

Commercial Inequities

Our commercial market sees a problem when property changes hands. Additional property taxes created by point-of-sale assessments are transferred to the property's owner. If the lease agreement on the property does not allow for the increase, the value of the property can decrease as the owner's net operating income decreases.

Commercial facilities that have not changed hands recently have an unfair and inequitable market advantage--the ability to offer lower lease costs with wider income margins. This produces another disincentive to transfer. Businesses looking to locate to South Carolina have chosen to take their business elsewhere, once they learn of the property tax burden (point-of-sale assessment issues combined with the six percent assessment ratio).

SOUTH CAROLINA REALTORS® SUPPORT legislation that mitigates the property valuation of an assessable transfer of interest (ATI) by extending the fifteen percent cap on assessment increases in current law to all ATIs occurring in 2008 and beyond. These changes are addressed in H.3272 and S.435.