

NEWS

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Realtors Plead for "Point Of Sale" Reform

A property tax system that realtors say desperately needs to be reformed was the focus of a meeting last month among local officials, state legislators and area realtors.

Realtors want legislators to push for reform when the General Assembly begins its 2009 session in January. The realtors' primary concern is that prospective homebuyers often lose interest after learning they'll pay considerably higher property taxes than the home's seller because of a recent change in how property is assessed.

The change, called "Point of Sale," sets a home's value for tax purposes at its most recently sold price.

Point of Sale became law with the passage of the 2006 Property Tax Reform bill. This bill was carelessly rushed through the state house and as noted in the *Charleston Mercury* "...the changes are more beneficial to people with higher-valued property." Spearheaded by Emerson Read, with help from local activist David Cannon, the bill also repealed the sales tax

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on groceries but increased the overall sales tax to 7%. Previously property values changed every five years during county-wide reassessments and then, the reassessment was usually substantially lower than a home's actual market value. With Point of Sale in place today, on average, properties sold in 2007 will have a taxable value 45 percent higher than the previous owners paid.

Currently, Edisto Beach Councilwoman Susan Hornsby is working with Colleton County to find ways to help over 65 people on Edisto Beach that have had their property taxes more than double this year. Most of which were straight sales and on those, there may be little that can be done. Some increases resulted from transfers within the same family that triggered the Point of Sale. Presently Colleton County is scheduled to receive an additional \$324,000 in taxes. Since windfall taxes are illegal in South Carolina, that money should be returned to the taxpayer.

Hornsby has met with Colleton County Councilman Gene Whetsell, Auditor Jim Hiott, Assessor Bucky McCormick and Treasurer Becky Hill. All have been responsive to the plight of the tax payers and have offered to help where they can. You can contact Susan Hornsby to find out how you may have your tax bill reviewed.

Realtors say clients interested in buying second homes are feeling pinched by the change, and some are looking outside South Carolina. One local realtor lost a sale to the mountains of North Carolina and another lost one to coastal Georgia last month.

Combine the new law with the sagging economy and home sales are down all over the state. Residents are quietly making contact with realtors and asking about selling their homes. Many are embarrassed to openly list the property but face financial ruin if they try to hold on. One recent conversation took a disturbing twist when a home owner said, "I am upside down on my mortgage, my assets and retirement fund have evaporated and there is no one who will consider buying my house. At my present rate of declining income, I will be 78 years old, broke and homeless. What can I do?" As for some of those just hanging on before the market collapse, they are unable to cash out any equity they have

in their homes. The situation is becoming critical for the elderly on fixed income. As for those with second homes (the 6 percenters), whose electric has gone up, water has gone up, insurance has gone up; all of a sudden what was a lot of fun has become a financial burden for a lot of families.

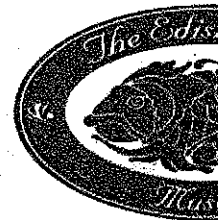
Second-home owners and commercial properties are also taxed for school operating costs, something permanent residents don't pay. Beaufort County estimates "point of sale" taxes add up to about \$2 million and school taxes nearly \$4 million.

Under the present Act 388, when real property subject to the 15 percent valuation cap is sold or otherwise transferred, called an "assessable transfer of interest" (ATI), the property is reassessed then, and the full fair market value becomes the value subject to property taxation and the 15 percent cap going forward in time.

The proposed bill to reform of 388H, H4942, allows the recognition of full fair market value of a property when it is sold, but delays that recognition until implementation of the next reassessment program. If the property is improved or built on before the next reassessment program, the property is reassessed at that time to include the value of both the addition and the previously capped value which was exempted from taxation.

H. 4942 does not explicitly address how implementing the point of sale as part of the scheduled reassessment affects the rollback millage calculation. It may be that the rollback millage calculation would treat the increase in value from the ATI/point of sale adjustment in the same manner as it does increases in value which result from ordinary reassessment. The result would be no net revenue increase when the value of the parcel was changed to reflect the ATI/point of sale change.

Two bills to prevent point of sale reassessments failed to pass last year. Three senators, Shaeen from Kershaw County, Massey from Aiken County and Hutto from Orangeburg County blocked the passage of the repeal last year. If you would like to voice your opinion on the issue contact:
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A. Shane Massey-shanemassey@scsenate.org
C. Bradley Hutto-CBH@scsenate.org



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