

# **An Analysis of the Impact of “Point of Sale” Property Tax Assessment on the South Carolina Real Estate Market**

Tim Allen, Ph.D.

COLLEGE *of*  
CHARLESTON

---

CARTER REAL ESTATE  
CENTER

## **Some Stylized Facts about *ad valorem* Property Tax Systems**

- Treating some properties “differently” almost always results in inequity.
- Equity in the system is best achieved when taxes are based on the market value of the property at the time the tax is charged.
- Political machinations of the tax system can impact real estate market activity and the economy in general.

## **S.C.'s Property Assessment Law Provides for Special Treatment for Some Properties**

- Different assessment ratios.
  - agricultural, manufacturing, owner-occupied residential, and “other” properties
  - 4% or 6%, 10.5%, 4%, and 6%

## **S.C.'s Property Assessment Law Provides for Special Treatment for Some Properties - Continued**

- Properties whose values have risen by more than 15% during an assessment cycle
- Properties sold at different points in time (the Point of Sale Assessment issue)

## Combined Effects of Special Treatments for Certain Properties

- Whether or not we support a given provision in the Code of Laws that results in special treatment, we should realize that the culmination of all the “special treatments” is likely to result in inequity in the tax system.

## When is a tax system inequitable?

- Inequity means that not all properties in a given jurisdiction face the same effective tax rate and thus are not bearing equal shares of the property tax burden.

## Study Design – Part 1

- Use simple examples to show the impacts of Point of Sale Assessment
  - Variations in Assessment Ratios by Property Classification
  - Point of Sale Assessment under Generally Rising Property Values
  - Point of Sale Assessment under Generally Falling Property Values

## Study Design – Part 2 (Appendix)

- Review of academic studies that consider equity in property tax systems
- Apply various statistical methods used by researchers to detect inequity in property tax systems.
- Evaluate the degree of inequity in the state's property tax system using sample data.

## Conclusion # 1

- Under the current property tax system in South Carolina, not all property owners face the same real property tax burdens relative to their properties' values. Thus, the system is inequitable.

## Conclusion # 2

- Point of Sale Assessment exacerbates the inequity in the state's tax system in periods of rising property values in the absence of limiting assessment increases to 15% over the five-year assessment cycle.

## Conclusion # 3

- The “Lock-In Effect” resulting from Point of Sale Assessment reduces property demand, thus dampening price appreciation trends.

## Conclusion # 4

- The “Motivator Effect” resulting from Point of Sale Assessment increases property supply, thus accelerating price depreciation trends.

## Conclusion # 5

- Extending the fifteen percent (15%) limit on increases in assessed to properties involved in assessable transfers of interest will improve the equity of the state's tax system.

## Conclusion # 6

- Redefining the exemptions for properties eligible for protection against Point of Sale Assessment to include immediate family members will improve the equity of the state's property tax system.

COLLEGE *of*  
CHARLESTON

# COLLEGE *of* CHARLESTON

---

CARTER REAL ESTATE  
CENTER

**Thank You!**

Contact Info: Tim Allen ([allent@cofc.edu](mailto:allent@cofc.edu))