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Govern ... Point of Sale Property Tax Assessment: SCR is Working for You

By Cashion Didier

ALL SOUTH CAROLINA'S REALTORS® know that changes made to our state'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 relocation to South Carolina are instead 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 assessed property every five years, though each of the 46 counties had a different assessment method. Some counties assessed very close to market value, while others assessed at just 50 percent of market value. Millage was set to meet the budgetary needs of the county, given the total assessed property value for that county.

In 2006, the General Assembly enacted property tax reform that provided point-of-sales assessment (a property tax reassessment each time a property is transferred based equal to the sales price). Regrettably, this has created serious inequities in the real estate market.

In the residential market, neighboring properties now have gross differences in property tax obligations, simply because one property was sold after the 2006 property tax reform and the other has not changed hands. This inequity will only worsen over time. Longtime residents now have a disincentive to move for fear of taking on an increased property tax burden, even if they choose to downsize to a smaller home. Investors looking for property in South Carolina have taken their money elsewhere once they consider the property tax implications of buying in South Carolina.

One of the problems realized in the commercial market occurs when a property

changes hands; the additional property tax burden lies with the tenants of the property. If the leases on the property do not allow for the increase, the value of the property decreases as the commercial facilities' operating income decreases. A commercial facility may gain an unfair market advantage over its neighbor simply by maintaining continuous ownership, which also discourages transfers.

In 2008, South Carolina REALTORS® supported addressing these inequities through the elimination of point-of-sale assessment and reverting real property in South Carolina back to a five-year reassessment period that existed prior to 2006 property tax reform. For the past 18 months, this has been a top priority for South Carolina REALTORS® at the State House.

Regretfully, the legislation SCR supported addressing point of sale assessment did not pass the Senate in 2008. After receiving overwhelming approval by the house in April, and passing the Senate Finance Committee, the bill immediately stalled once it hit the Senate floor. Three senators each raised objections to the legislation. Despite SCR's daily lobbying efforts at the Statehouse and the tremendous level of grassroots advocacy from REALTORS® across the state (more than 2,500 emails were sent to senators and house members), those objections remained. SCR also tried attaching the point of sale legislation to another bill that also stalled on the Senate floor.

We have great disappointment and frustration that legislation addressing point of sale assessment did not become law this year, and the issue remains a priority for SCR in 2009. SCR has built a coalition with the SC Chamber of Commerce and other business groups to draft and (hopefully) pass changes that are desperately needed. We have been working with legislators to develop more comprehensive legislation addressing property tax assessment.

The General Assembly convenes in early January. SCR plans to immediately begin our efforts to reverse point of sale assessment. The leadership of the House has promised us swift action. Our work will truly begin when the bill heads to the Senate. We will issue several calls-to-action to our members when the time is right, implement an issues mobilization campaign, and poll the public to gain support. Reform in 2009 will not be possible without your participation in, and support of your association. Please get involved and stay involved! Your livelihood and the future of this great state depend on it.

NOTE: Cashion Didier is vice president of government affairs for South Carolina REALTORS®.

POINT OF SALE

Property Tax Increases

South Carolina REALTORS®

When you purchase a home, the assessor can raise the assessed value of your home to the current sales price (point of sale assessment). SC Property taxes are calculated by the formula below.

$$\left(\begin{array}{c} \text{MILLAGE RATE} \\ \text{set by} \\ \text{Local Elected} \\ \text{Officials} \end{array} \times \begin{array}{c} \text{ASSESSMENT RATIO} \\ \text{4\% - Primary Home} \\ \text{6\% - Rental, Commercial Land} \\ \text{10\% - Industrial} \end{array} \times \text{VALUE} \right) - \begin{array}{c} \text{TAX CREDITS} \\ \text{set by} \\ \text{Elected Officials} \end{array}$$

ASSESSMENT CAPS
New laws limit the increase on assessed property VALUE to 15 percent every five years. The cap is removed if the property is involved in an "assessable transfer."

ASSESSABLE TRANSFERS Sale of property Rent-to-own Transfer to/from trusts Transfer by will Long-term lease (20 years) Corporate transfers Changes in zoning / rollback taxes	EXEMPT TRANSFERS Any IRS-exempt transfer Transfer to spouse (divorce) Insurance rebuilds (fire, etc.) Foreclosure, forfeiture, deed in lieu Life estates Tax sales Security interests
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REDUCE YOUR TAX LIABILITY

- 1. Apply for the legal residence tax ratio of 4% (only one legal residence is allowed.)
- 2. Appeal the tax assessor's appraisal if it is too high.
- 3. Apply for all eligible tax credits (school operations, disability, senior citizen). Note: Elected officials set the county millage tax rate. Be proactive by voting.

LOOK FOR THE REALTOR® "R" TO BE SURE YOU'RE WORKING WITH AN EXPERT

Download our Property Tax Brochure: http://screaltors.com/webinar/property_tax_brochure.pdf