

PROPERTY TAX

Draft Report

Section by Section Summary

Section 12-11-30 Repeals personal property exemption for banks.

Section 12-13-50 Repeals the personal property exemption for savings and loans.

Section 12-37-220 Exemptions.

A(2) Limits hospital property tax exemption to hospital purposes (i.e. not office complexes.)

A(4) Charitable Trusts and Foundations must be exempt under IRC §501(c)(3).

A(7) Under current law a new manufacturing establishment (not in a fee-in-lieu) receives an automatic abatement of the county's portion of the property taxes (typically 40% of the tax bill.) There is no automatic abatement of the city or school district millage, meaning only the county receives no tax payments. The amendment abates 40% of the total tax bill.

B(8) Future Famers of America – deletes antiquated provision.

B(10) Repeals property taxation exemption for telephone cooperatives. (Electric cooperatives pay property taxes.)

B(16)(a) Requires charitable organizations to be exempt under IRC §501(c)(3).

B(32) R&D exemption. See (A)(7).

B(35) Repeals personal property tax exemption for timeshares.

B(39) R&D exemption. Municipalities may exempt R&D under this provision. (The exemption is automatic for counties.) The amendment under B(32) would also make this automatic for municipalities.

B(45) Repeals exemption for vehicles leased to out-of-state armed service members. (There is no exemption for resident members.)

Sections 12-37-230, -235 and -240. These statutes provide that cities and counties may contract with exempt nonprofit housing corporations for payment for services. The sections are silent on how such contracts are negotiated or executed and the sections are amended to delete the contract requirement.

Section 12-37-670 New Structures. This section clarifies that new structures are subject to taxation when they are substantially completed and fit for use.

Section 12-37-712 Conforms aircraft with boats. Taxes on private passenger aircraft are amongst the highest in the United States and as a result there is substantial non-compliance and evasion in this area. This section explicitly gives the auditor authority to access airport hanger and fuel sale records to determine if taxes are owing.

Section 12-37-714 Conforms aircraft with boats. Several years ago the General Assembly provided for the proration of property taxes on boats which are here for less than a full calendar year. (Previously it was an all or nothing test.) This amendment adds aircraft.

Section 12-37-930 Historically the taxation on vehicles, watercraft and aircraft was based upon true FMV. The General Assembly, as a result of a very rare increase in value in certain SUVs enacted a 95% rule. This results in considerable administrative complexities. The amendment deletes it.

Section 12-37-950 Leases of exempt property by the private sector. South Carolina has since the 1950s required a private sector lessee of exempt property to pay the same property taxes as its competitors who lease private property. The section for a variety of reasons has never been enforced and it has accordingly been amended to include a filing requirement by a private sector entity who leases exempt property.

Section 12-37-2720 Dealer tags. This section exempts from property taxation vehicles used by a dealer's officers, employees, children and spouses for both business and personal use. The section is repealed.

Section 12-43-220(a)(c)(1) "One percent holders." TRAC received testimony that a family which owned a second home (which typically is taxed with a 6% assessment ratio) could have the home taxed as a primary residence (with a 4% assessment ratio) merely by transferring a once percent interest to, e.g., a child. This amendment would prorate the taxes in such scenario.

Section 12-43-220(E) Property taxed as agriculture use is subject to rollback taxes when the property is converted to other use (e.g., residential, commercial, etc.) The law is unclear, however, when such property is converted. This amendment requires the DOR to issue Regulations to provide guidance to assessors on this issue.

Section 12-43-220(6) Rollback taxes. The only exception to rollback taxes is when property is put into a fee-in-lieu. This amendment repeals the exception.

Section 43-232 Ag use. There has been considerable media attention regarding the misuse of Ag use (e.g. lot on front beach at Kiawah.) By way of background, there are two types of ag use qualifications: (1) timber; and (2) crops. The amendments increase the minimum acreage for timber ag use from five to ten acres and the exception for parcels of less than ten acres is tightened. The assessor can also consider whether legal restrictions would prevent commercial timbering. For cropland, the minimum income test is increased from one to five thousand dollars and taxpayers are required to file a Schedule F with their federal income tax return.

Section 12-43-233 Ag use, Agritourism. Two years ago the General Assembly added a very loose exemption for "agritourism." This amendment clarifies that property exempt under the agritourism provision must meet the traditional ag-use tests.

Section 12-43-340 Ag use. The criminal penalties for making a false statement on an ag use application is increased from two hundred to one thousand dollars.