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Counties Authorized to Provide Property Tax Relief to Large Corporate Jets

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I probably don't need to tell you property taxes on planes in South Carolina are high. (By some estimates, they are among the very highest in the United States.) Actually, if you are among the many aircraft owners who keep their plane elsewhere as much as possible and hope the tax man never comes calling, I may need to tell you this.

As a result of our high tax rates, and in an effort to get more corporate aircraft to register in South Carolina, the General Assembly very quietly authorized counties to provide property tax relief to large corporate aircraft two years ago.

The General Assembly passed legislation that allows counties to include large aircraft in an important property tax incentive called Fee-in-Lieu of Taxation. To understand how the fee works, you first have to understand

the usual method of taxation in South Carolina. Your property tax bill is calculated using an equation with three variables: FMV, Assessment Ratio and Millage. The assessment ratio shifts the tax burden in the county from primary residences to everyone else. The ratio on your home is four percent while your plane suffers from a 10.5 percent ratio. Millage is the combined millage from all the taxing entities (county, school and any city.)

Under Fee-in-Lieu, the county can lower the assessment ratio to as low as six percent and it can freeze the millage for up to 20 years. The county is also authorized to grant a Special Source Credit, which can significantly lower your bill (e.g., a 50 percent Special Source Credit cuts your bill in half.)

The major impediment to being eligible for a fee is that the cost of the airplane must be \$2.5 million or higher. (A few of the poorer counties can grant fees for planes that cost \$1 million.)

Significantly, airplanes are the only capital asset in South Carolina eligible for a fee even if they are already subject to taxes in this state. (Every other asset must be a new investment in this state.)

Experience teaches that some counties will aggressively pursue this incentive for corporate aircraft while others will decline. Currently most counties are most likely not aware they have this option.



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