

NEXT CHALLENGE. NEXT LEVEL.

NEXSEN | PRUET

# Nexsen Pruet

## Realtors Continuing Education Seminar

### Property Tax Basics

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# PROPERTY SUBJECT TO TAX

## Property Subject to Tax:

- Real Property – land and all structures and other things contained in the land or annexed or attached to the land (e.g., buildings and other improvements).
- Personal Property – all things, other than real estate, which have any pecuniary value (e.g., M&E).
- Intangible personal property and inventories not subject to tax.
- See S.C. Code § 12-37-10 & 12-37-210 and S.C. Code of Regulations 117-1700.1.
- Example – Air Conditioning
  - Building air conditioning, incl. refrigeration equipment – Real Property.
  - Air conditioning window units & package units – Personal Property.

# PROPERTY TAX CALCULATION

Equation to calculate your property tax bill:

FMV \* Assessment Ratio \* Millage =



# FAIR MARKET VALUE - REAL PROPERTY

- Real Property (other than agricultural real property and FILOT real property) – appraised to determine FMV.
  - Generally, reappraised every 5 years, though county can delay reassessment by 1 year.
  - Maximum increase in FMV due to countywide reassessment is 15% in 5-year period.
  - FMV of improvements added to FMV of land upon completion - not subject to 15% cap.
  - Can also be reassessed for assessable transfer of interest - not subject to 15% cap.
  - See S.C. Code §§ 12-37-3120 – 12-37-3170; § 12-43-217.

# FAIR MARKET VALUE - PERSONAL PROPERTY

- Personal Property
  - Manufacturers – From cost, fixed annual statutory depreciation down to residual value. See S.C. Code § 12-37-930.
  - Examples: Default – 11%, Aerospace – 15%, Life Sciences and Renewable Energy – 20%.
  - Merchants and other businesses – From cost, income tax depreciation down to residual value.

# ASSESSMENT RATIO

Assessment ratios are found in the State Constitution:

- Manufacturing and Utility: 10.5%
- Commercial Personal Property: 10.5%
- Warehouse & Distribution: 6%
- Commercial Real Property: 6%
- Primary Residences: 4%
- Farm: 4%
- Personal Motor Vehicles: 6%

## ASSESSMENT RATIO - MANUFACTURERS

- Generally, 10.5% on real and personal property.
- Exceptions for real property owned by, or leased to, a manufacturer and used primarily for:
  - R&D;
  - Office building – if not located on premises of, or contiguous to, plant site; or
  - Warehouse and wholesale distribution – if property not physically attached to plant unless area is separated by a permanent wall.



# MILLAGE

- Millage includes the combined millage for all taxing entities within jurisdiction.
  - Always includes county and school district; sometimes includes municipalities or special purpose districts.
  - Determined by each taxing jurisdiction by dividing cost of its annual budget by the total assessed value within taxing jurisdiction.
  - Restrictions in millage increases.

# MANUFACTURER'S ABATEMENT

- All new manufacturing establishments as well as all additions of at least \$50,000.
- Abates (exempts) the county portion of the millage for five years for manufacturers – Automatic (county consent NOT required).
- Typically between 20% (in a city) and 40% (not in a city) of the millage.
- Cities (by ordinance) may also abate their portion of the millage.
- Not available if benefiting from a negotiated FILOT.
- Similar abatements available for corporate headquarters, distribution facilities, and R&D facilities.
  - Corporate HQ and distribution facilities also required to create 75 or more new full-time jobs (or 150 substantially equivalent) in State.

# MANUFACTURER'S ABATEMENT

## Extension of Abatement to Unrelated Purchasers – S.C. Code § 12-37-220(C) and SC Revenue Ruling #04-14

- Facility must be acquired in arms-length transaction.
- Existing facility and # of jobs must be preserved (possibly zero jobs).
- County council must approve.
- If transferee makes \$50,000 or more of additional investment, 5-year period may re-start.
- Timing – need to approach county and perhaps, conduct any layoffs prior to closing.

# POLLUTION CONTROL FACILITIES OR EQUIPMENT

- Complete exemption for facilities or equipment which are designed for the elimination, mitigation, prevention, treatment, abatement or control of internal or external water, air, or noise pollution required by the state or federal government.
  - Upon request of DOR, DHEC can investigate property and provide DOR with listing of pollution control property.
  - Dual purpose equipment – production and pollution control – value eligible for exemption is difference between cost of equipment with vs. without pollution control ability.
  - See S.C. Code § 12-37-220(A)(8).

## CHANGE IN USE – ROLLBACK TAXES

- Agricultural use valuation generally based on 1991 values.
- Change in use of agricultural real property results in additional taxes.
- Equals sum of difference between taxes based on FMV for agricultural purposes and taxes that would have been paid if real property had been valued, assessed, and taxed as other real property in taxing district.
- Current tax year (year of change in use) and 5 preceding tax years.
- See S.C. Code § 12-43-220(d).

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