

# The Post and Courier

## Commercial property tax relief

Senate measure expected to be adopted today; no break for owner-occupied homes

By [David Slade](#)

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The state Senate is poised to approve legislation today that would benefit the commercial real estate and second-home market, while creating fresh disparities in the way South Carolina properties are taxed.

The plan, still being drafted Tuesday night, would temporarily eliminate point-of-sale reassessments of commercial property. The legislation is focused on commercial real estate and would not change the rules for owner-occupied homes.

The result would be that a sale this year of an office or apartment building, store, or second home would not result in an increased property tax bill because of reassessment.

In contrast, owner-occupied homes still would be reassessed upon sale.

After 2010, properties other than owner-occupied homes would face limited point-of-sale reassessments and would not be taxed on their full value.

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The S.C. Municipal Association called a previous plan ["inequitable" and "shortsighted."](#)

Commercial properties and homes sold during the past three years would be stuck with higher taxes because they were reassessed when sold.

The plan would provide less tax relief than The South Carolina Association of Realtors were seeking, but more than local governments wanted to see.

As part of the compromise, local governments and schools would get more flexibility with potential property tax increases by allowing them to consider growth and inflation over the prior three years, rather than just their current budget year.

**Property tax compromise plan**  
According to parties involved in the negotiations, here's how the plan would work:

**2010, the exemption:** The compromise plan would exempt commercial properties and second homes from being reassessed due to a change in ownership. Owner-occupied homes would continue to be subject to point-of-sale reassessments. Local governments would get more flexibility in property tax rate caps.

**2011, the transition:** Properties other than owner-occupied homes could use their assessments for after a sale. Those reassessments would be limited to 40 percent of the difference between the prior taxable value and actual market value. For example, a rental property assessed at \$100,000 with a \$100,000 cap, the assessment rises to \$140,000.

**2012 and later, the cap:** For properties other than owner-occupied homes, the cap on point-of-sale reassessments rises to 80 percent of the difference between price and current value. For owner-occupied homes, there remains no point-of-sale cap.

The deal is a last-minute compromise hammered out during an afternoon meeting of Sen. Thomas

Alexander, R-Walhalla, Sen. Wes Hayes Jr., R-Rock Hill, and associations representing the Realtors Association, municipalities, counties and school districts.

As recently as Tuesday morning, it appeared no compromise was possible.

The Realtors Association launched a Web site aimed at supporting its legislation, while local government officials girded for battle. Just last week, hundreds of real estate professionals from around the South Carolina rallied outside the Statehouse.

And in Charleston on Tuesday morning, the mayors of Charleston and North Charleston, Mount Pleasant's administrator and the school district superintendent laid out their case against the Realtors Association's bill.

"(The state legislators) have cut their taxes to the point where they are bankrupt, and now they are trying to cut our taxes to the point where we are bankrupt," North Charleston Mayor Keith Summey said. "But we are the ones who have to provide services."

By Tuesday afternoon, however, the association representing municipalities was touting the compromise plan.

"It really is a method to jump-start the economy in 2010 and 2011," said Miriam Hair, executive director of the Municipal Association of South Carolina, who participated in negotiations.

Nick Kremydas, chief executive officer of the Realtors Association, said he could not discuss the compromise because he had not yet briefed the association's board.

### **For more information**

#### **[Realtors'](#)**

Point-of-sale reassessments have taken place only during the past three years, and came as a result of the tax-shifting legislation approved in 2006.

The tax shift reduced school taxes on owner-occupied homes, increased the statewide sales tax and capped reassessments unless a property changed ownership.

The Realtors Association has said the point-of-sale reassessments were killing commercial real estate because they usually resulted in big tax bill increases.



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If the compromise legislation is approved, commercial buildings of equal value could end up with substantially different taxes. A building sold in 2009 would be reassessed, while an identical building sold in 2010 would not.

Hair said tax relief was not extended to owner-occupied homes because "Senators Alexander and Hayes feel like the 4 percent property owners (homeowners) are already getting a break, because they were relieved of school property taxes and they got the federal stimulus money."

The compromise legislation came as the Senate was expected to vote at any time on the contentious Realtors Association-sponsored bill aimed at exempting all properties from being reassessed when sold.

The state Board of Economic Advisors estimated that that plan would eliminate \$44 million per year in local taxes.

### **Previous stories**

[Council will not oppose law change](#), published 01/09/10

[Legislators consider changing property tax rules](#), published 11/15/09

"When the Realtors realized they didn't have the votes, they got interested in compromise," said Sen. Robert Ford, D-Charleston.

Senate leader Glenn McConnell said the new plan will likely be approved today. Senate staff was working into the night to put it on paper.

Alexander, the lead legislative broker on the deal, declined to discuss the details, but he said the plan is intended to jump-start the economy by spurring investments with the use of incentives.

"I think that's what we've been hearing loud and clear that's needed," Alexander said.

**Yvonne Wenger** contributed to this report.

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