

The Post and Courier

Property-tax relief plan on hold

By [David Slade](#)

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A plan aimed at stimulating commercial real estate sales in South Carolina by offering generous property tax incentives was unveiled in the state Senate on Wednesday but ran into unexpected resistance just hours later.

The legislation was touted as a compromise reached late Tuesday between the S.C. Association of Realtors, which had pushed for tax breaks, and cities, counties and school districts that wanted to limit the impact on local revenues.

By Wednesday evening, however, the Realtors Association was backing away from the deal.

The association declared the legislation "on hold" and hinted that the Realtors Association would insist upon greater tax breaks.

More information

- [Read the legislation](#) (4 page Word Document)
- [SCR Press Release on Proposed POS Compromise](#) - PDF

"I don't know what to make of that," said

Sen. Thomas Alexander, R-Walhalla, who helped broker the deal and introduced the legislation to the Senate.

The legislation would clearly benefit some real estate professionals more than others. There are no tax incentives for owner-occupied homes but generous tax breaks for other types of property.

"My board wanted an opportunity to review it, and we have a meeting planned in the morning," Nick Kremydas, chief executive officer of the Realtors Association, said Wednesday evening. "There were no major surprises in the amendment, but we've been working on this for more than two years and there's no real reason to rush it through."

The legislation, an amendment to replace a previous bill, would create a one-year exemption from reassessments triggered when properties change ownership. Such reassessments can sharply increase property taxes.

"This is about jump-starting the economy and investment in property in South Carolina," Alexander told his Senate colleagues as he introduced the plan. "We're saying to folks, come and invest in South Carolina for the good of our communities."

If the plan were approved, those who in 2010 buy offices, apartments, second homes, shops and

parking lots -- just about anything except an owner-occupied home -- would get to keep the previous owner's tax assessment.



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Savings could amount to tens of thousands of dollars on a large deal.

Looking forward, the legislation would provide for discounted reassessments of properties other than owner-occupied homes sold in 2011.

A smaller discount would apply in 2012, and would continue indefinitely. Commercial properties sold since 2009 would never be assessed at full value, under the plan.

Owner-occupied homes wouldn't get reassessment discounts, and there's no tax relief for properties that were sold and reassessed in 2007, 2008 and 2009.

The cost of the commercial real estate stimulus plan has not been estimated, but any costs would be borne by local governments and schools in the form of foregone taxes.

The financial incentive the Legislature plans to dangle in front of potential buyers of commercial property is quite substantial. Unlike the \$8,000 federal tax credit for home buyers, the state would create a large tax discount that would remain in place as long as the ownership does not change.

In Charleston County, the incentive could allow a commercial real estate purchaser to pay taxes based upon what the property was worth at the end of 2003, the date of the values set during the county's last reassessment.

In Berkeley and Dorchester counties, which reassessed last year, the incentive would be more modest because tax values are up-to-date.

Previous story

[Commercial property tax relief](#), published 01/20/10

The Realtors Association's earlier plan, before the compromise, would have exempted all properties from point-of-sale reassessment, and would have cost local governments and schools \$44 million yearly and double that amount in the year it took effect, the state Board of Economic Advisors estimated.

The compromise plan has a smaller but unspecified impact on local revenues, but it leaves most of the residential real estate market out, which is likely to chafe residential Realtors who helped rally support for tax breaks.

The Charleston Trident Association of Realtors, which chartered a bus last week for a rally at the Statehouse, would not discuss the compromise plan Wednesday. Instead, calls were referred to Kremydas.

Charleston homeowner Eben Smith bought a house downtown in 2007, was subjected to point-of-sale reassessment, and has been following the legislative wrangling with interest.

He was upset with the earlier bill pushed by the Realtors Association, which would have left him with higher taxes while exempting those who bought property after 2009.

"I bought knowing the taxes would be higher than they were for the guy I bought from," he said. "I would love to see them rolled back, but what I and my friends didn't want was to be in the hole in the doughnut, with a worse deal than everyone else."

"I can see how, with commercial properties, there probably is an argument to be made that this will help business," Smith said. "I'm not sure why that would extend to second homes for rich people from New York."

Alexander, who with Sen. Wes Hayes Jr., R-Rock Hill, brokered the deal, said there could be legal trouble if they tried to cut out some types of property, such as second homes, that are taxed the same way as commercial property.

Alexander said they also wrestled with the issue of providing tax breaks to the owners of property reassessed during the past three years, but found no way to make that work.

"You get into bonded indebtedness and that sort of thing," he said. "And, it would cost a lot of money, that at the end of the day would be transferred to other taxpayers."

Charleston Mayor Joe Riley, who strongly opposed the Realtors Association's original proposal, said the compromise deal was commendable.

"I think it's a Solomon-like compromise and I hope the Senate passes it," he said.

Today, lawmakers will be waiting to see if the Realtors Association is still on board with the plan.

STATE PROPERTY TAXES, AND HOW THE RULES HAVE CHANGED

South Carolina's property tax system has been tilted in favor of homeowners for years, with lower assessment rates, credits and discounts unavailable for commercial properties. Legislation pending in the state Senate would create discounts on most types of property except for owner-occupied homes. Here's how the property tax system works:

- All property is taxed based upon actual market value.
- Owner-occupied homes are taxed on a smaller portion of market value (4 percent) than commercial property and second homes (at 6 percent), and homeowners receive additional property tax discounts.
- Properties are not reassessed due to changes in ownership.
- Properties are typically reassessed every five years to re-establish accurate values.
- Reassessments can raise or lower property values without limit, and result in broad redistributions of the property tax burden. Properties that gained the most value since the last reassessment end up with higher taxes, and taxes decline for properties that gained the least or lost value.
- There are no limits on property tax rate increases by school districts and local governments.
- Owner-occupied homes are exempt from school operating taxes. The statewide sales tax rises to 6 percent to make up lost revenue.
- When countywide reassessments take place, assessments are capped and can only increase by a maximum of 15 percent. The cap limits the redistribution of the property tax burden.
- If the ownership of a property changes (an "assessable transfer of interest"), the property is

reassessed immediately, at full market value, typically resulting in a large tax bill increase the following year.

- New construction is taxed on full market value, as it was before.
- Property tax rate increases are capped. Local governments and schools can raise their property tax by no more than the prior year's combined rate of inflation plus population growth.
- Takes effect retroactively to Jan. 1, 2010, if approved.
- Commercial properties, second homes, rental properties and other property taxed at 6 percent of assessed value are exempt from being reassessed because of an ownership change, for 2010 only.
- Commercial and other 6 percent properties sold in 2011 would be subject to reassessment, but assessment increases would be discounted by 60 percent. For example, a building previously valued at \$100,000 sells for \$300,000. It's new tax value becomes \$180,000.
- In 2012 and thereafter, point-of-sale reassessment increases on commercial properties are discounted by 20 percent.
- On tax rate increases, the legislation allows local governments and school districts to consider the rate of inflation and growth over the prior four years, rather than just the prior year.
- Properties would be exempt from reassessment because of a transfer of interest if the new owner is the child or grandchild of the previous owner.

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