



SC REVENUE RULING #89-3

SUBJECT: Exemption for Additions to Real Property of Manufacturers
(Property Tax)

EFFECTIVE DATE: 1987 Additions Valued for 1988 Property Tax Year and Subsequent
Addition

REFERENCE: S.C. Code Section 12-37-220(A)(7)

AUTHORITY: S.C. Code Ann. Section 12-3-170 (1976)
SC Revenue Procedure #87-3

SCOPE: A Revenue Ruling is the commission's official interpretation of how
tax law is to be applied to a specific set of facts. A Revenue Ruling is
public information and remains a permanent document until
superseded by a Regulation or is rescinded by a subsequent Revenue
Ruling.

Question:

To what extent is the exemption provided in Section 12-37-220(A)(7) allowed for additions to
real property improvements of existing manufacturing establishments?

Facts:

A taxpayer has requested clarification of the Commission's procedure for determining the
property tax exemption for additions to real property improvements of existing manufacturers
and the change in the procedure for the 1988 property tax year.

Old Procedure: Ratio of additional real property improvements to total real property
improvements times the total real property improvements appraisal.

Example: Taxpayer added \$68,488 in real property improvements in 1987. This
increased the taxpayer's total real property improvements to \$3,118,289. The total real property
improvements appraisal was \$1,507,500. Thus, the exemption based on the ratio was \$33,014
computed as follows:

$$\frac{68,488}{3,118,288} = 2.19\% \times 1,507,500 = 33,014$$

New Procedure: The exemption is allowed to the extent the additional real property improvements increase the total real property improvements appraisal.

Example: Taxpayer added \$140,000 in real property improvements in 1988. The total real property appraisal increased \$90,000 as a result of this addition, thus the exemption for the addition in 1988 is \$90,000.

Discussion:

Section 12-37-220(A)(7) provides for a five year exemption from County property taxes for all new manufacturing establishments and all additions costing \$50,000 or more to existing manufacturing establishments. In applying this exemption to additional real property of existing manufacturers, the Commission must reduce the total real property improvement appraisal by the amount of the appraised value of the additions qualifying for the exemption.

For property tax years prior to 1988, the Commission utilized the following procedure to determine the amount of appraised value qualifying for the exemption. The ratio of additional real property improvements to total real property improvements was determined. This ratio was multiplied by the total real property improvement appraisal to determine the amount of appraised value of the addition qualifying for the exemption. This method effectively gave an exemption even though the additional investment may not have increased the real property improvements appraisal.

With the 1988 property tax year, the Commission implemented a new procedure. Under the new procedure, the exemption is allowed to the extent the additional real property improvements increase the total real property improvements appraisal.

As this represents a change in procedure for determining the property tax exemption of manufacturers, the Commission will apply the new procedure to 1987 additions valued for the 1988 property tax year. Additions made prior to 1987 will be exempted under the old procedure.

Conclusions:

The exemption provided in Section 12-37-220()(7) for additions to real property improvements of existing manufacturing establishments is allowed to the extent that the addition to real property improvements increases the total real property improvements appraisal.

SOUTH CAROLINA TAX COMMISSION

s/S. Hunter Howard, Jr.

S. Hunter Howard, Jr., Chairman

s/A. Crawford Clarkson, Jr.

A. Crawford Clarkson, Jr., Commissioner

s/T. R. McConnell

T. R. McConnell, Commissioner

Columbia, South Carolina
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