

SC REVENUE PROCEDURE #97-4

**SUBJECT:** State Property Tax Relief Fund  
(Property Tax)

**EFFECTIVE DATE:** For property tax years beginning after 1995

**SUPERSEDES:** All previous documents and any oral directives in conflict herewith.

**REFERENCES:** S. C. Code Ann. Section 12-43-220(c) (Supp. 1995)  
S. C. Code Ann. Section 11-11-330 (1996)  
S. C. Code Ann. Section 12-37-251 (1996)

**AUTHORITY:** S. C. Code Ann. Section 12-4-320 (Supp. 1995)  
SC Revenue Procedure #94-1

**SCOPE:** A Revenue Procedure is a statement which provides information of a procedural nature. It is valid and remains in effect until superseded or modified by a change in the statute or regulations or a subsequent court decision, Revenue Procedure or Revenue Ruling.

**INTRODUCTION**

Section 12-43-220 reads, in pertinent part:

All property presently subject to ad valorem taxation shall be classified and assessed as follows:

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(c) The legal residence and not more than five acres contiguous thereto, when owned totally or in part in fee or by life estate and occupied by the owner of the interest, is taxed on an assessment equal to four percent of the fair market value of the property.

Section 12-37-251, as amended by Section 33 of the 1996 Appropriation Act, provides:

(A) The State Property Tax Relief Fund shall be established at an amount equal to the revenue necessary to fund a property tax exemption of one hundred thousand dollars based on the fair market value of property classified pursuant to Section 12-43-220(c) calculated on the school operating millage imposed for tax year 1995, excluding taxes levied for bonded indebtedness and payments pursuant to lease purchase agreements for capital construction. The 1995 tax year school operating millage is the base year millage for purposes of calculating the amount necessary to fund the State Property Tax Relief Fund in accordance with this section. *However, in years in which the values resulting from a county-wide reassessment and equalization program are implemented, the base year millage must be adjusted to an equivalent millage rate in the manner that the Department of Revenue and Taxation shall prescribe.* Funds distributed to a taxing district as provided in Item (B) of this section must be used to provide a uniform property tax exemption for all property in the taxing district which is classified pursuant to Section 12-43-220(c), excluding taxes levied for bonded indebtedness and payments pursuant to lease purchase agreements for capital construction.

(B) School districts must be reimbursed, in the manner provided in Section 12-37-270 for the revenue lost as a result of the homestead exemption provided in this section except that ninety percent of the reimbursement must be paid in the last quarter of the calendar year. (Emphasis added.)

The purpose of this document is to explain the procedure prescribed by the Department of Revenue for adjusting the school operating base year millage in reassessment years, as required by the Section 12-37-251.

#### PROCEDURE - EXPLANATION

The values - up to \$100,000 - of residential properties in the county for the previous year, which were taxed using the 4% assessment ratio, are totaled. The values - up to \$100,000 - of residential properties (excluding new construction) in the county for the reassessment year, which were taxed using the 4% assessment ratio, are totaled. The previous year's total value (the year prior to reassessment) is divided by the reassessment year's total value. The resultant percentage is multiplied by the 1995 school operating millage rate to arrive at the *equivalent millage rate*.

#### PROCEDURE - EXAMPLE

County XYZ had the following home values for year #1 (the year before reassessment) and year #2 (the reassessment year):

<u>Home</u>	<u>Year #1</u>	<u>Year #2</u>
A	\$ 35,000	\$ 43,750
B	50,000	65,000
C	75,000	86,250
D	90,000	112,500
E	125,000	150,000
F	<u>-0-</u>	<u>100,000</u>
Totals:	\$ 375,000	\$ 557,500
	<u>( 25,000) (1)</u>	<u>(162,500) (2)</u>
Adjusted		
Totals:	\$ 350,000	\$ 395,000

(1) The maximum value used for House E is \$100,000; therefore, the total for Year #1 must be reduced by \$25,000.

(2) The maximum value used for House D and House E is \$100,000 each and House F is not included because it was either new construction or was taxed using the 6% ratio in Year #1 or Year #2. Therefore, the total for Year #2 must be reduced by \$162,500 (\$12,500 + \$50,000 + \$100,000).

Based on the above information, if the 1995 millage rate was 100, then the adjusted 1995 millage rate would be 88.6 ( $\$350,000/\$395,000 \times 100$  mills).

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Burnet R. Maybank III  
 Burnet R. Maybank, III, Director

Columbia, South Carolina

March 31, 1997