
State of South Carolina
Department of Revenue
301 Gervais Street, P.O. Box 125, Columbia, South Carolina 29214

SC REVENUE PROCEDURE #98-4

SUBJECT: Maximum Millage Rate Calculation

EFFECTIVE DATE: September 10, 1998

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

REFERENCES: S. C. Code Ann. Section 12-37-251(E)(Supp. 1997)
S. C. Code Ann. Section 12-43-217 (Supp. 1997)
S. C. Code Ann. Section 12-43-220 (Supp. 1997)
Act 138 (1997), Section 6-1-300, *et seq.*, (Supp. 1997)
S. C. Revenue Procedure # 97-4
S. C. Information Letter # 97-6
S. C. Information Letter # 97-8

AUTHORITY: S. C. Code Ann. Section 12-4-320 (Supp. 1997)
SC Revenue Procedure #97-8

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 It is valid and remains in effect until superseded or modified by a change in the statute or regulations or a subsequent court decision, Revenue Procedure or Revenue Ruling.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

There are three elements to South Carolina's property tax system: (1) the tax rate, (2) the assessment ratio, and (3) the property value. The tax rate is generally reflected in "mills," or "millage rate." A mill is simply a unit of monetary value equal to one tenth of a cent, or one thousandth of a dollar. For example, a tax rate of 150 mills translates in to \$.150 (15 cents) tax per \$1.00 of assessed value.

Property value involves “actual value” and “assessed value.” “Actual value” denotes the true market value or agricultural use value of the property. “Assessed value” is a valuation placed upon property for the purpose of taxation. It is a fractional part of the actual value. These assessment ratios are statutorily provided for in S.C. Code Ann. Section 12-43-220 (Supp. 1997). See also, Article X, South Carolina Constitution.

Individual property taxes are determined by multiplying the value of the property times the assessment ratio, times the tax rate (i.e., the millage). A number of factors, as discussed below, come into play in determining value, and thus assessed value.

DETERMINING PROPERTY VALUES FOR PROPERTY TAX PURPOSES

S.C. Code Ann. Section 12-37-930 (Supp. 1997) provides:

All property must be valued for taxation at its true value in money which in all cases is the price which the property would bring following reasonable exposure to the market, where both the seller and the buyer are willing, are not acting under compulsion, and are reasonably well informed of the uses and purposes for which it is adapted and for which it is capable of being used. The fair market value for vehicles, watercraft, and aircraft must be based on values derived from a nationally recognized publication of vehicle valuations, except that the value may not exceed ninety-five percent of the prior year’s value. . . . Fair market value of manufacturer’s machinery and equipment used in the conduct of the manufacturing business, excluding vehicles, watercraft, and aircraft required to be registered or licensed by a state or federal agency, must be determined by reducing the original cost by an annual allowance for depreciation

“The fair market value of merchants’ furniture, fixtures, and equipment shall be the depreciated value as shown by the merchants’ records for income tax purposes, provided however, that in no event is the original cost of the property to be reduced by more than ninety percent of the original capitalized cost.” S.C. Code of Laws Regulations 117-110. Agricultural real property is valued at its use value. S.C. Code Ann. Section 12-43-220(d) (Supp. 1997).

Exemptions will affect the value of property for property tax purposes and certain credits will reduce an individual’s property tax bill, with the state reimbursing the county or municipality for the loss of revenue, in some instances. A knowledge of these exemptions and credits and how they work is necessary to determine millage and are discussed below.

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HOMESTEAD EXEMPTION

S.C. Code Ann. Section 12-37-250 (Supp. 1997) provides that:

The first twenty thousand dollars of the fair market value of the dwelling place of a person is exempt from county, municipal, school, and special assessment real estate property taxes when the person has been a resident of this State for at least one year and has reached the age of sixty-five years on or before December thirty-first, the person has been classified as totally and permanently disabled by a state or federal agency having the function of classifying persons, or the person is legally blind as defined in Section 43-25-20, preceding the tax year in which the exemption is claimed “Dwelling place” means the permanent home and legal residence of the applicant

The fair market value of the dwelling place, owned by persons qualifying for the homestead exemption by reason of age, disability, or blindness¹, must be reduced by \$20,000.00 before the applicable 4% assessment ratio for legal residences is applied against it.

Assume that Taxpayer A is 67 years old.

Taxpayer A has a dwelling (legal residence) valued a	\$50,000.00
Taxpayer A qualifies for the Homestead Exemption since he is 67 years old	\$20,000.00
Value of Taxpayer A’s dwelling considering the Homestead Exemption ($\$50,000.00 - \$20,000.00$ exemption)	\$30,000.00
Assessed value of Taxpayer A’s dwelling ($\$30,000.00 \times .04$ (assessment ratio))	\$1,200.00
The millage levied in County A where Taxpayer A resides, for all purposes	200 Mills
Property Taxes owed by Taxpayer A on the residence ($\$1200.00 \times .200$)	\$240.00
Loss to the County to be reimbursed by State: ($\$20,000 \times .04 \times .200$)	\$160.00

Provided a county or municipality submits the appropriate statement setting forth the amount that was not collected due to the homestead exemption, the Comptroller General, annually, from the general fund of the State, will pay to the county treasurer of the county in which the dwelling is located the amount of taxes that was not collected as a result of this exemption. S.C. Code Ann. Section 12-37-270 (Supp. 1997).

¹Eligibility requirements for the Homestead Exemption are discussed in S.C. Revenue Ruling #97-18.

STATE PROPERTY TAX RELIEF EXEMPTION

This exemption is ONLY for school operations - it does not affect county and other taxes. Also excluded from consideration are amounts necessary to fund school bonded indebtedness, payments for lease purchase agreements, and capital expenditures. Property tax relief does not affect these amounts. Additionally, the exemption applies only to legal residences (4% assessment ratio property).

S.C. Code Ann. Section 12-37-251 (Supp. 1997) provides in part:

(A)(1) The State Property Tax Relief Fund is 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) [Legal Residence] calculated on the school operating millage imposed for tax year 1995 or the current school operating millage, whichever is lower [subject to certain exceptions²], excluding taxes levied for bonded indebtedness and payments pursuant to lease purchase agreements for capital construction. The 1995 tax year school operating millage or the current school operating millage, whichever is lower, is the base year millage for purposes of calculating the

²Section 12-37-251(A)(2) provides that:

. . . a school district whose operating millage falls below the 1995 school year operating millage may request to receive tax relief based on the 1995 operating millage, or equivalent millage rate, if one of the following conditions are met:

(a) the current operating millage per pupil plus the current debt service millage is equal to or less than the total millage per pupil for 1995;

(b) the operating millage per pupil for the 1995 tax year reduced by the amount by which the total millage per pupil for all purposes in the current year exceeds the total millage per pupil for the 1995 tax year but not below the actual operating millage per pupil for the current year.

The Department of Revenue is responsible for certifying that the conditions are met based on the latest completed fiscal year data of the requesting district.

Any funds received by an eligible school district in excess of its current millage under this subsection may be used by the district to pay bonded indebtedness.

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 shall prescribe. Funds distributed to a taxing district as provided in subsection (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.

It is well settled that the construction of a statute by an agency charged with its administration will be accorded the most respectful consideration and will not be overturned absent compelling reason. Laurens County School Districts 55 & 56 v. Cox, 308 S.C. 171, 417 S.E.2d 560 (1992); Jasper County Tax Assessor v. Westvaco Corp., 305 S.C. 346, 409 S.E.2d 333 (1991); Dunton v. S.C. Bd. of Examiners of Optometry, 291 S.C. 221, 353 S.E.2d 132 (1987). It has been the long-standing administrative policy of the Office of the Comptroller General to compute the property tax relief exemption in the manner as reflected in the examples below.

CURRENT School Operating Millage is LESS than the 1995 School Operating Millage

If the current school operating millage is less than the 1995 school operating millage, the fair market value of the residence is reduced by \$100,000.00 (but not below zero), prior to multiplying the value by the applicable 4% assessment ratio to obtain the assessed value of the residence. The fair market value of the residence is never reduced below zero.

The \$100,000 property tax exemption applies only to school operating millage: excluded are the millages for bonded indebtedness, payments for lease purchase agreements, and capital expenditures.

Note: If the homestead exemption pursuant to S.C. Code Ann. Section 12-37-250 (Supp. 1997) is applicable, the fair market value of the residence is reduced by \$20,000.00 before any calculation.

Example 1: Fair Market Value of Residence - \$150,000.00

Assume the fair market value of a legal residence is	\$150,000.00
Assume the current school operating millage is	100 Mills
Assume the 1995 school operating millage was	200 Mills

The exemption is based on the current school operating millage or the 1995 school operating millage, whichever is less (however, see Footnote 2).

The amount of the exemption (up to \$100,000.00)	\$100,000.00
Taxes due without an exemption	\$600.00
Fair Market Value (\$150,000.00) x Assessment Ratio (4%) x Current Mill (100) =	
$\$150,000.00 \times .04 \times .100 = \600.00	
Amount of set off against taxes due as result of the Property Tax Exemption . . .	\$400.00
Exemption (\$100,000.00) x Assessment Ratio (4%) x Lower of 1995 (200)	
or Current Mill (100) =	
$\$100,000.00 \times .04 \times .100 = \$400.00 = \text{State Reimbursement}$	
Taxes to be paid by taxpayer as result of Property Tax Exemption	\$200.00
Taxes Due (\$600.00) - State Reimbursement (\$400.00) = \$200.00	

Example 2: Fair Market Value of Residence - \$60,000.00

Assume the fair market value of a legal residence is	\$60,000.00
Assume the current school operating millage is	100 Mills
Assume the 1995 school operating millage was	200 Mills
The amount of the exemption for the current year (up to \$100,000.00)	\$60,000.00
Taxes due without an exemption	\$240.00
Fair Market Value (\$60,000.00) x Assessment Ratio (4%) x Current Mill (100) =	
$\$60,000.00 \times .04 \times .100 = \240.00	
Amount of set off against taxes due as result of the Property Tax Exemption . . .	\$240.00
Exemption (\$60,000.00) x Assessment Ratio (4%) x Lower of 1995 (200) or	
Current Mill (100) =	
$\$60,000.00 \times .04 \times .100 = \$240.00 = \text{State Reimbursement}$	
The taxpayer will pay taxes for school operations on his legal residence	\$0.00
Taxes due (\$240.00) - State Reimbursement (\$240.00) = \$0.00	

Example 3: Fair Market Value of \$60,000.00 - Homestead Exemption applies.

Assume the fair market value of a legal residence is	\$60,000.00
Assume taxpayer is 65 and eligible for Homestead Exemption under § 12-37-250	\$20,000.00
Assume the current school operating millage is	100 Mills
Assume the 1995 school operating millage was	200 Mills
The amount of the exemption for the current year (up to \$100,000.00)	\$40,000.00
Fair Market Value of Residence (\$60,000.00) - Homestead Exemption (\$20,000.00)	
\$60,000.00 - \$20,000.00 = \$40,000.00	
Taxes due without an exemption	\$160.00
FMV (\$60,000.00 - \$20,000.00 Homestead Exemption) x Assessment Ratio (4%)	
x Current Mill (100) = \$40,000.00 x .04 x .100 = \$160.00	
Amount of set off against taxes due as result of the Property Tax Exemption . . .	\$160.00
Amount of Exemption (\$40,000.00) x Assessment Ratio (4%) x Lower of 1995	
Millage (200) or Current Mill (100) =	
\$40,000.00 x .04 x .100 = \$160.00 = State Reimbursement	
Taxes to be paid by taxpayer as result of Property Tax Exemption	\$0.00
Taxes due (\$160.00) - State Reimbursement (\$160.00) = \$0.00	

1995 School Operating Millage is LESS than CURRENT School Operating Millage

If the 1995 school operating millage is less than the current year school operating millage, the following calculations are necessary. The exemption is based on the current school operating millage or the 1995 school operating millage rate, whichever is less [with certain exceptions not here applicable - see Footnote 2].

NOTE: The property tax relief exemption applies only to school operating millage; excluded are the millages for bonded indebtedness, payments for lease purchase agreements, and capital expenditures.

NOTE: If the homestead exemption pursuant to S.C. Code Ann. Section 12-37-250 (Supp. 1997) is applicable, the fair market value of the residence is reduced by \$20,000.00 before any calculation is done for the property tax relief exemption.

Example 1. Fair Market Value of Residence - \$150,000.00

Assume the fair market value of a legal residence is	\$150,000.00
Assume the current school operating millage is	200 Mills
Assume the 1995 school operating millage was	100 Mills
Value of the exemption (up to \$100,000.00 of Fair Market Value) in 1995	\$100,000.00
Current value of the exemption	\$50,000.00
Current Fair Market Value of Residence or \$100,000.00 whichever is less x (1995 Millage ÷ Current Millage) = Maximum Exemption. ³	

³This formula is derived from the following:

- (a) \$100,000 or the fair market value of the residence, whichever is less, is multiplied by the 4% assessment ratio.
- (b) The result in (a) is multiplied by the 1995 school operating millage.

The result in (b) must be converted into the current year property value for exemption purposes. To do so requires the following.

- (c) The result in (b) is divided by the current year school operating millage. This produces the assessed value of the property tax exemption for the current year.
- (d) The result in (c) is then divided by the 4% assessment ratio associated with the 4% legal residence property to obtain the fair market value of the exemption.

$$\$100,000.00 \times (100 \text{ Mills} \div 200 \text{ Mills}) = \$50,000.00$$

Current value of the residence for purposes of school operations
 \$100,000.00

\$150,000.00 (FMV) - \$50,000.00 (Exemption in current dollars)

Current assessed value of the residence for purposes of school operations
 \$4,000.00

\$150,000.00 - \$50,000 exemption x .04 assessment ratio

Taxes due without an exemption \$1,200.00

Fair Market Value (\$150,000.00) x Assessment Ratio (4%) x Current Millage (200)

$$\$150,000.00 \times .04 \times .200 = \$1,200.00$$

Amount of set off against taxes due as result of the Property Tax Exemption . . . \$400.00

Amount of Exemption (\$100,000) x Assessment Ratio (4%) x Lower of Current
 Millage (200) or 1995 Millage (100) =

$$\$100,000.00 \times .04 \times .100 = \$400.00 = \text{State Reimbursement}$$

Taxes to be paid by taxpayer as result of Property Tax Exemption \$800.00

\$150,000.00 FMV - \$50,000.00 Exemption x .04 Assessment Ratio x

200 Mills = \$800.00; i.e., Taxes due (\$1,200.00) - State Reimbursement (\$400.00)

$$= \$800.00$$

Example 2: Fair Market Value of Residence \$60,000.00

Assume the fair market value of a legal residence is \$60,000.00

Assume the current school operating millage is 200 Mills

Assume the school operating millage for 1995 is 100 Mills

Value of the exemption (up to \$100,000.00) in 1995 \$60,000.00

The current value of the exemption \$30,000.00

Current Fair Market Value of Residence or \$100,000.00 whichever is less x
 (1995 Millage ÷ Current Millage) = Maximum Exemption. See Footnote 3.

$$\$60,000.00 \times (100 \text{ Mills} \div 200 \text{ Mills}) = \$30,000.00$$

Current value of the residence for purposes of school operations \$30,000.00

$$\$60,000.00 \text{ (FMV)} - \$30,000.00 \text{ Exemption} = \$30,000.00$$

Current assessed value of the residence for school operations	\$1,200.00
(\$60,000.00 (FMV) - \$30,000.00 Exemption) x .04 Assessment Ratio = \$1,200.00	
Taxes due without an exemption	\$480.00
Fair Market Value (\$60,000.00) x Assessment Ratio (4%) x Current Millage (200)	
\$60,000.00 x .04 x .200 = \$480.00	
Amount of set off against taxes due as result of the Property Tax Exemption	\$240.00
Exemption (\$60,000.00) x Assessment Ratio (4%) x Lower of Current Millage	
(200) or 1995 Millage (100)	
\$60,000.00 x .04 x .100 = \$240.00 = State Reimbursement	
Taxes to be paid by taxpayer as result of Property Tax Exemption	\$240.00
(60,000.00 FMV - \$30,000.00 Exemption) x .04 assessment ratio x	
200 Mills = \$240.00 or	
Taxes due (\$480.00) - State Reimbursement (\$240.00) = \$240.00	

Example 3: FMV of Residence - \$45,000.00 - Homestead Exemption applicable.

Assume the fair market value of a legal residence is	\$45,000.00
Assume taxpayer is 65 & eligible for Homestead Exemption under § 12-37-250 .	\$20,000.00
Assume the current school operating millage is	200 Mills
Assume the school operating millage for 1995 is	100 Mills
Value of the property tax exemption (up to \$100,000.00) in 1995	\$25,000.00
Fair Market Value (\$45,000.00) - Homestead Exemption (\$20,000.00) = \$25,000.00	
Current value of the property tax exemption	\$12,500.00
Current Fair Market Value of Residence less Homestead Exemption, or \$100,000.00,	
whichever is less x (1995 Millage ÷ Current Millage) = Maximum Exemption	
(See Footnote 3.)	
(\$45,000.00 - \$20,000.00) x (100 Mills ÷ 200 Mills) = \$12,500.00	
Current value of the residence for purposes of school operations	\$12,500.00
\$45,000.00 FMV - \$20,000.00 Homestead Exemption - \$12,500.00 Property	
Tax Exemption in current dollars	
Current assessed value of the residence for purposes of school operations	\$500.00
\$45,000.00 FMV - \$20,000.00 Homestead Exemption - \$12,500.00 Property	

Tax Relief Exemption x .04 Assessment Ratio = \$500.00

Taxes due without an exemption	\$200.00
Fair Market Value (\$25,000) x Assessment Ratio (4%) x Current Millage (200)	
\$25,000.00 x .04 x .200 = \$200.00	
Amount of set off against taxes due as result of the Property Tax Exemption	\$100.00
Exemption (\$25,000.00) x Assessment Ratio (4%) x Lower of Current Millage (200) or 1995 Millage (100) =	
\$25,000.00 x .04 x .100 = \$100.00 = State Reimbursement	
Taxes to be paid by taxpayer as result of Homestead & Property Tax Exemption .	\$100.00
(\$45,000.00 FMV - \$20,000.00 Homestead Exemption - \$12,500.00 Property Tax Relief Exemption) x .04 Assessment Ratio x 200 Mills = \$100.00	
or Taxes due after Homestead Exemption (\$200.00) - State Reimbursement (\$100.00) = \$100.00	

INVENTORY OF BUSINESS ESTABLISHMENTS

(Inventory Lock-In)

S.C. exempts all inventories from ad valorem property taxation. See S.C. Constitution, Section (3)(f), Article X; S.C. Code Ann. Sections 12-37-220(A)(6) (Supp. 1997) and 12-37-220(B)(30) (Supp. 1997). Section 12-37-450(B) (Supp. 1997) requires that counties and municipalities be reimbursed for the revenue lost as a result of the business inventory tax exemption⁴. This reimbursement is sometimes referred to as the Inventory Lock-In Reimbursement. Section 12-37-450(B) (Supp. 1997) provides:

Counties and municipalities must be reimbursed for the revenue lost as a result of the business inventory tax exemption based on the 1987 tax year millage and 1987 tax year assessed value of inventories in the counties and municipalities. . . . [T]here is appropriated annually from the general fund of the State whatever amount is necessary to reimburse fully all counties and municipalities the required amount. The Comptroller General shall make remittances of this reimbursement to counties and municipalities in four equal payments.

If not for this exemption, inventories of business establishments would be taxed on an assessment equal to 6% of the fair market value of such property. S.C. Code Ann. Section 12-43-220(b). The following example illustrates the amount of state reimbursement.

Assume:

The value of all inventories of business establishments in County A for 1987 (does not include inventories of manufacturers ⁵)	\$9,000,000.00
Assessment ratio for inventories	6%
Assume millage for all purposes in County A for 1987	180 Mills
State reimbursement for inventory exemption	\$97,200.00
\$9,000,000 (Value) x .06 (Assessment Ratio) = \$540,000.00	
\$540,000.00 x .180 (1987 Millage) = \$97,200.00	

NOTE: This amount remains the same from year to year and will not change due to inflation or increases or decreases in the level of inventories.

⁴This reimbursement does not apply to the revenue lost as a result of the exemption of inventories of manufacturers. See S.C. Code Ann. Section 12-37-450(B).

⁵Inventories of manufacturers are not subject to the reimbursement. They are, however, exempt from property taxes. See S.C. Constitution, Section 3(f), Article X; S.C. Code Ann. Section 12-37-220(B)(30).

LOCAL OPTION SALES TAX CREDIT - (LOST)

The Local Option Sales Tax (LOST) provides a credit against property taxes owed; not an exemption applied to the property's value.

S.C. Code Ann. Sections 4-10-10 *et seq.* (Supp. 1997) provide for a one percent sales and use tax, if approved by a county referendum, to be used, at least in part, as a credit against a taxpayer's property tax liability. For motor vehicles subject to the payment of property taxes pursuant to Article 21, Chapter 37 of Title 12, the credit applies against the tax liability for motor vehicle tax years beginning after December of the year in which the credit is calculated. The following discussion focuses on the county and municipal portions of LOST and for simplicity the credit is illustrated as being used against county and municipal taxes.

S.C. Code Ann. Section 4-10-40(B) provides that:

All of the revenue received by a county and municipality from the Property Tax Credit Fund must be used to provide a credit against the property tax liability of taxpayers in the county and municipality in an amount determined by multiplying the appraised value⁶ of the taxpayer's taxable property by a fraction in which the numerator is the total estimated revenue received by the county or municipality from the Property Tax Credit Fund during the applicable fiscal year of the political subdivision and the denominator is the total of the appraised value of taxable property in the county or municipality as of January first of the applicable taxable year.

The following examples illustrate how this credit works. Assume the following facts:

1% Optional Sales Tax in County A produces total revenues to County A	
from the Property Tax Credit Fund for the applicable fiscal year of	\$550,000.00 ⁷
County A's share of the \$550,000.00 Property Tax Credit Fund	\$368,500.00
$\$550,000.00 \times 67\% = \$368,500.00$	

⁶"Appraised value" refers to the value of property as provided for under Section 12-37-930 (Supp. 1997), but taking into consideration all applicable exemptions.

⁷S.C. Code Ann. Section 4-10-90(B) (Supp. 1997) provides that the State Treasurer is required to deposit the LOST revenues into the Local Sales and Use Tax Fund which consists of two separate funds: the Property Tax Credit Fund and the County/Municipal Revenue Fund.

S.C. Code Ann. Section 4-10-40(A) (Supp. 1997) provides that the revenues allocated to the Property Tax Credit Fund must be distributed to the county and the municipalities in the county area as follows: (1) sixty-seven percent to the county; (2) thirty-three percent to the municipalities in the county area such that each municipality receives an amount equal to what its percentage of population bears to the total population in all the municipalities in the county area.

Share of the Property Tax Credit Fund that Municipalities in County A Receive \$181,500.00
 $\$550,000.00 \times 33\%$ (see Footnote 7) is distributed to municipalities in County A
 $\$550,000.00 \times .33 = \$181,500.00$

Assume Municipality C's Share of the \$181,500.00 based on its population
in relation to the population of all municipalities in County A is \$80,000.00

Assume Appraised Value of **County A's** taxable property as of January 1 of the
tax year (S.C. Code Ann. Section 4-10-40(B)) \$1,350,000,000.00

Assume Appraised Value of **Municipality C's** taxable property as of January 1
of the tax year (S.C. Code Ann. Section 4-10-40(B)) \$800,000,000.00

Millage rate to fund County A's Operating Budget 20 Mills
Millage rate to fund County A's Bonded Indebtedness 5 Mills
Millage rate to fund Municipality C's Operating Budget 3 Mills
Assume Municipality C has no Bonded Indebtedness 0 Mills

Ratio Credit Factor for County A .000273
 $\$368,500.00$ (Revenues received from LOST Property Tax Credit Fund)
 \div by $\$1,350,000,000.00$ (total appraised value of taxable property in the county)

Ratio Credit Factor for Municipality C .000100
 $\$80,000.00$ (Revenues received from LOST Property Tax Credit Fund) \div
 $\$800,000,000.00$ (total appraised value of taxable property in the municipality) = .000100

Example 1: Legal Residence

Taxpayer X has legal residence located in Municipality C of County A \$80,000.00

Taxpayer X is 70 years old and qualifies for Homestead Exemption \$20,000.00

Taxpayer X has taxable property for county and municipality purposes of \$60,000.00
 $\$80,000.00$ Value of Residence - $\$20,000.00$ (Homestead Exemption)

Taxpayer X owes County Taxes of \$60.00
 $\$60,000.00 \times .04$ (Assessment Ratio) \times 25 Mills (20 Mills for County Operations
and 5 Mills for County Bonded Indebtedness)
 $\$60,000.00 \times .04 \times .025 = \60.00

Taxpayer X has LOST Credit applied against his County Taxes of \$16.38
 $\$60,000.00 \times .000273 = \16.38

Taxpayer X will actually pay County Taxes of (\$60.00 - \$16.38)	\$43.62
Taxpayer X owes Municipal Taxes of	\$7.20
\$60,000.00 x .04 (Assessment Ratio) x .003 (3 Mills) = \$7.20	
Taxpayer X has LOST Credit applied against his Municipal Taxes of	\$6.00
\$60,000.00 x .000100 = \$6.00	
Taxpayer X will actually pay Municipal Taxes of (\$7.20 - \$6.00)	\$1.20
\$7.20 - \$6.00 = \$1.20	

Example 2: Manufacturer

Taxpayer B owns a manufacturing plant. It is located in Municipality C of County A. It was placed in service in 1980. Its value is \$25,000,000.00

Taxpayer B owns a second and new manufacturing establishment, which is located in Municipality C of County A in 1996. Assume it qualifies for the 5 year exemption contained in Section 12-37-220(A)(7). Its value is \$10,000,000.00
This exemption applies only to county taxes, not school and municipal taxes.⁸
However, Art. X, Sec.3, S.C. Constitution, provides that a municipality may, by ordinance, exempt from municipal ad valorem property taxes for not more than five years all new manufacturing establishments. Assume there is no such ordinance here in Municipality C.

Taxpayer B owns a third manufacturing plant with new pollution control equipment. Assume the pollution equipment qualifies for the exemption contained in Section 12-37-220(A)(8). The plant lies inside Municipality C.
The value of the plant **including** the pollution control equipment is \$9,000,000.00
The value of the new pollution control equipment is \$2,000,000.00
The pollution control equipment is exempt from **all** property taxes.⁹

⁸Pursuant to S.C. Code Ann. Section 12-37-220(A)(7), (1) all new manufacturing establishments located in any of the counties of S.C. after July 1, 1997, and (2) all additions to the existing manufacturing establishments in S.C. from the time each addition is made if the cost of such addition is \$50,000.00 or more, are exempt from all property taxes **except** for those levied for **school taxes** or **municipal taxes**. Art. X, Sec. 3, S.C. Constitution, allows a municipality by ordinance, to exempt such property from municipal taxes for five years from establishment.

⁹Section 12-37-220(A)(8) provides that all facilities or equipment of industrial plants which are designed for pollution or abatement, required by the state or federal government, and used in the conduct of the business, are exempt from ad valorem property taxes.

Taxable portion of Taxpayer B's property \$7,000,000.00

Taxpayer B owns a new distribution facility, located in Municipality C of County A, which was placed in Service in 1995. Assume it qualifies for the exemption in Section 12-37-220(B)(32). Its value is \$1,000,000.00

A distribution facility is only exempt from **nonschool** property taxes.¹⁰
A governing body, however, **by ordinance**, may exempt such property from municipal ad valorem property taxes for not more than five years. Section 12-27-220(B)(39). Assume such an ordinance exists.

Taxpayer B owns a new enterprise engaged in research and development located in Municipality C of County A. Assume this facility qualifies for the exemption in Section 12-37-220(B)(34) and is valued at \$5,000,000.00

This facility is exempt only from county taxes and not school taxes or municipal taxes. However, by ordinance, the governing body of a municipality may exempt such a facility from ad valorem taxes for not more than five years. Section 12-37-220(B)(39). Assume such an exemption **does not** exist here.

Taxpayer B builds and occupies a new corporate headquarters. Assume it qualifies for the exemption contained in Section 12-37-220(B)(32) and is valued at . . . \$3,000,000.00

This facility is only exempt from county taxes and not school taxes or municipal taxes. However, by ordinance, the governing body of a municipality may exempt such a facility from ad valorem taxes for not more than five years. Section 12-37-220(B)(39). Assume such an exemption **exists** by ordinance.

Taxpayer B has taxable property for county tax purposes of \$32,000,000.00

Taxpayer B has taxable property for municipal purposes of \$47,000,000.00

¹⁰Section 12-37-220(B)(32) provides that all new corporate headquarters, corporate office facilities, distribution facilities, and all additions to existing corporate headquarters, corporate office facilities, or distribution facilities located in S.C. and placed in service after June 27, 1988 are exempt from **nonschool** county ad valorem property taxes. The governing body of a municipality may **by ordinance** exempt from **municipal** ad valorem property taxes for not more than five years property located in the municipality receiving this exemption. See Section 12-37-220(B)(39).

<u>Taxable Property</u>	<u>County</u>	<u>Municipality</u>	<u>School</u>
Old Manufacturing Plant	\$25,000,000.00	\$25,000,000.00	\$25,000,000.00
New Manufacturing Plant	\$0.00	\$10,000,000.00	\$10,000,000.00
Manufacturing Plant (\$9 Million)			
Minus (\$2Mil.)Pollution Equipment	\$7,000,000.00	\$7,000,000.00	\$7,000,000.00
Distribution Facility	\$0.00	\$0.00	\$1,000,000.00
R & D Facility	\$0.00	\$5,000,000.00	\$5,000,000.00
New Corporate Headquarters	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$3,000,000.00</u>
	\$32,000,000.00	\$47,000,000.00	\$51,000,000.00
Assessment Ratio for Manufacturing			10.5%
Assessed Value of Taxpayer B's Property for County A's Property Taxes			\$3,360,000.00
\$32,000,000.00 x 10.5% = \$3,360,000.00			
Taxpayer B's Property Tax Liability for County A's Property Taxes			\$84,000.00
\$3,360,000.00 x .025 (20 Mills for Operations + 5 Mills Bonded Indebtedness)			
Local Option Sales Tax Credit for Taxpayer B for County Taxes			\$8,736.00
\$32,000,000.00 (taxable property) x .000273 (Ratio Credit Factor)			
Taxes to be paid by Taxpayer B for County Property Taxes			\$75,264.00
\$84,000.00 - \$8,736.00			
Assessed Value of Taxpayer B's Property for Municipality C's Property Taxes			\$4,935,000.00
\$47,000,000.00 x 10.5%			
Taxpayer B's Municipal Property Taxes			\$14,805.00
\$4,935,000.00 x 3 Mills (Millage for Municipal Purposes)			
Local Option Sales Tax Credit for Municipal Taxes			\$4,700.00
\$47,000,000 x .000100 Ratio Credit Factor for Municipality C			
Taxes to be paid for Taxpayer B for Municipal Property Taxes			\$10,105.00
\$14,805.00 - \$4,700.00			

MILLAGE

In general terms, the appropriate tax or millage rate for a taxing entity is reached by dividing the assessed value of all the property to be taxed into the revenues needed to be generated by the property taxes.

NOTE: Because of the exemptions contained in S.C. Code Ann. Section 12-37-220, the taxable property subject to levy for school expenses may be different in amount to the taxable property subject to levy for county expenses, which may be different in amount to the taxable property subject to levy for municipal purposes. See LOST discussion, *supra*. For simplicity sake, the following discussion ignores these exemptions in determining maximum millage calculations.

NOTE: In computing millage rates, certain property is excluded from the taxable base. These include:

(1) fee-in-lieu of tax properties pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.* (Supp. 1997);

(2) property located in a joint industrial park established pursuant to S.C. Code Ann. Section 4-1-170 (Supp. 1997);

(3) inventories;

(4) the value of the homestead exemption pursuant to Section 12-37-250, the current value of the property tax relief exemption pursuant to Section 12-37-251, etc.

NOTE: TO THE EXTENT THAT FEES OR REIMBURSEMENTS ARE RECEIVED FOR THESE EXCLUSIONS, THE REIMBURSEMENTS OR FEES SHOULD BE DEDUCTED FROM THE REVENUES REQUIRED TO FUND A LOCAL TAXING AUTHORITY SINCE THIS IS A SEPARATE SOURCE OF REVENUES.

The maximum a millage rate may change from one year to the next is set by statute. The rules are somewhat different in a year of reassessment. The purpose of this section is to explain the procedure for determining the maximum allowable millage rate in a particular year and in a year of reassessment.

MAXIMUM MILLAGE RATE - NOT IN A YEAR OF REASSESSMENT

BACKGROUND

(1) Normally, a local governing body, i.e., the governing body of a county, municipality, or special purpose district, may increase the millage rate imposed for **general operating purposes** above the rate imposed for such purposes for the prior tax year only to the extent of the increase in the consumer price index for the preceding fiscal year.¹¹ See S.C. Code Ann. Section 6-1-320.

As explained in paragraph (4), below, there are no such restrictions on raising the millage necessary for bonded indebtedness, lease-purchase agreements or to maintain a reserve account and such millage may be increased beyond the consumer price index, for these purposes.

To determine the increase which has occurred in the consumer price index, the Department of Revenue uses the average increase in the Consumer Price Index for all Urban Consumers (CPI-U) which is published by the U.S. Department of Labor's Bureau of Labor Statistics. S.C. Information Letter #97-6. (For example for 1997, the 1996 millage may be increased by 2.9%.)

(2) However, this limitation on millage rate increases for general operating purposes to the CPI-U, contained in (1), above may be overridden and the operating millage rate further increased:

- (a) To respond to a natural, environmental, or other disaster as declared by the Governor;
- (b) To offset a prior year's deficit, as required by Section 7, Article X of the S.C. Constitution¹²;

¹¹S.C. Code Section 12-37-251(E) impliedly repealed Code Section 12-43-290 (Political subdivisions may increase millage for certain purposes) and the increase in ad valorem tax allowed in Code Section 12-43-280(A) (Total tax shall not be increased more than one percent as a result of equalization and reassessment). In enacting S.C. Code Ann. Section 12-37-251(E) (Supp. 1996) [Act No. 145], which limited millage increases in reassessment years and defined rollback millage, the General Assembly stated that "all acts or parts of acts inconsistent with any of the provisions of part II of this act are repealed." S.C. Information Letter # 97-8.

¹²Article X, Section 7(b) of the S.C. Constitution provides in part that:

Each political subdivision of the State . . . and each school district of this State shall prepare and maintain annual budgets which provide for sufficient income to

- (c) To raise the revenue necessary to comply with judicial mandates requiring the use of county or municipal funds, personnel, facilities, or equipment;
- (d) To meet the minimum required local Education Finance Act inflation factor as projected by the State Budget and Control Board, and the per pupil maintenance of effort requirement of Section 59-21-1030, if applicable.¹³

(3) Additionally, the millage rate limitation contained in paragraph (1) above may be overridden and the millage rate further increased by a positive majority vote of the appropriate governing body.¹⁴ S.C. Code Ann. Section 6-1-320(C). A “Positive Majority” means a vote for adoption by the majority of the members of the entire governing body, whether present or not. S.C. Code Ann. Section 6-1-300(5). The vote must be taken at a specially called meeting held solely for the purpose of taking a vote to increase the millage rate. The governing body must provide public notice of the meeting, notifying the public that the governing body is meeting to vote to override the limitation discussed in paragraph (1) above. Public comment must be received by the governing body prior to the override vote. S.C. Code Ann. Section 6-1-320(C).

(4) Neither the limitation contained in paragraph (1) regarding the CPI-U, nor the need for a positive majority vote contained in paragraph (3), applies to millage that is levied:

- (a) to pay bonded indebtedness, or
- (b) to make payments for real property purchased using a lease-purchase agreement, or
- (c) to maintain a reserve account.

meet its estimated expenses for each year. Whenever it shall happen that the ordinary expenses of a political subdivision for any year shall exceed the income of such political subdivision, the governing body of such political subdivision shall provide for levying a tax in the ensuing year sufficient, with other sources of income, to pay the deficiency of the preceding year together with the estimated expenses for such ensuing year. The General Assembly shall establish procedures to insure that the provisions of this section are enforced.

¹³Nothing contained in Chapter 1 of Title 6 of the S.C. Code Ann. (Section 6-1-300 *et seq.*) affects the rights of a legislative delegation to set or restrict school district millage, and it does not amend or repeal any cap on school millage provided by current law or statute or limitation on the fiscal autonomy of a school district as currently in existing law. S.C. Code Ann. Section 6-1-320(E).

¹⁴The positive majority vote of the governing body requirement does **NOT** apply to school districts that have their budgets approved by qualified electors at a town meeting. S.C. Code Ann. Section 6-1-320(F).

See S.C. Code Ann. Section 6-1-320.

The following examples serve to illustrate how the maximum allowable millage rate is computed in a year where no reassessment occurs.

Examples: Facts for Maximum Millage Rate Not in a Year of Reassessment

Assume we are computing the maximum millage rate for the 1997 tax year for school operations, school bonded indebtedness, county operations and county bonded indebtedness. Assume further there is only one school district for the county and assume we wish to have the largest budget possible which does not require a positive majority of the appropriate governing body. To simplify this example, there is no discussion of municipal millage or the millage to fund special service districts

In computing revenues necessary to fund a budget for a taxing entity, the amount of reimbursement received from the State as a result of various exemptions should be subtracted. Any millage will then be imposed only against the taxable property to fund amounts needed less the reimbursements.

Assume:

(1) Assessed Valuation in County A of all Taxable Property **for 1996** \$21,000,000.00

This figure **does not include**:

- (1) Property subject to a Fee-in-Lieu of Taxes pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.*(Supp. 1997);
- (2) Property located in a Joint Industrial or Business Park established pursuant to S.C. Code Ann. Section 4-1-170 (Supp. 1997);
- (3) Inventories;
- (4) The value of the **Homestead Exemption**;
- (5) Other property exempt from ad valorem property taxes.¹⁵

(2) Growth - Property or improvements in 1997 not previously taxed, new construction and renovation of existing structures \$1,000,000.00

This figure **does not include**:

- (1) Property subject to a Fee-in-Lieu of Taxes pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.*(Supp. 1997);

¹⁵ See S.C. Code Ann. Section 12-37-220 (Supp. 1997). These exemptions are deleted here for simplicity.

- (2) Property located in a Joint Industrial or Business Park established pursuant to S.C. Code Ann. Section 4-1-170 (Supp. 1997);
- (3) Inventories;
- (4) The value of the **Homestead Exemption**;
- (5) Other property exempt from ad valorem property taxes. See Footnote 15.

(3) Assessed Valuation in County A of all Taxable Property **for 1997**, including property or improvements not previously taxed, new construction, and renovation of existing structures [i.e. Growth] \$22,000,000.00

This figure **does not include**:

- (1) Property subject to a Fee-in-Lieu of Taxes pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.*(Supp. 1997);
- (2) Property located in a Joint Industrial or Business Park established pursuant to S.C. Code Ann. Section 4-1-170 (Supp. 1997);
- (3) Inventories;
- (4) The value of the **Homestead Exemption**;
- (5) Other property exempt from ad valorem property taxes. See Footnote 15.

(4) Current Assessed Value of Property Tax Relief Exemption for legal residences in County A for 1997, applicable only to amounts levied for School Operations \$1,500,000.00

The exemption is based on the 1995 school operating millage or the current (1996) school operating millage whichever is less¹⁶. The reimbursement received from the State as a result of property tax relief should be subtracted from the revenues needed to fund the budget for the taxing entity.

(5) Assessed Value of Property Tax Relief Exemption for legal residences in County A for 1996, applicable only to amounts levied for School Operations \$1,000,000.00

The exemption is based on the 1995 school operating millage. The reimbursement received from the State as a result of property tax relief should be subtracted from the revenues needed to fund the budget for the taxing entity.

¹⁶Section 12-37-251(A)(1) indicates the property tax exemption is calculated on the school operating millage imposed for 1995 or the current school operating millage, whichever is lower. The current school operating millage is the school operating millage for 1996, since we are determining the 1997 millage rate.

(6) New County Bond Payments for 1997	\$10,000.00
(7) New School Bond Payments for 1997	\$40,000.00
(8) Education Finance Act Inflation Factor	\$5,000.00
(9) A prior year's school operating deficit	\$100,000.00
(10) A prior year's county operating deficit	\$50,000.00
(11) Hurricane results in additional operating expenses for county	\$75,000.00
(12) Hurricane results in additional operating expenses for school	\$5,000.00
(13) County desires to maintain a reserve fund	\$50,000.00
(14) Judicial mandate results in rise in school operating costs	\$100,000.00
(15) CPI-U for 1996	2.9%
(16) Collection Rate for Taxes Billed in 1996 and 1997	95%

Millage Rates for 1996

School Operating Millage	190 Mills
School Bond Millage	10 Mills
County Operating Millage	10 Mills
County Bond Millage	5 Mills

Example: Millage for School Operations NOT in Year of Reassessment

Normally the millage rate for 1997 for general school operations may be increased from that of 1996 only by the amount of the CPI-U - 2.9%.

Maximum Millage Rate for 1997 for school operations adjusted for the CPI-U becomes 195.5 Mills

(190 Mills x 2.9% = 5.5 Mills)
 (190 Mills + 5.5 Mills = 195.5 Mills¹⁷)

In 1997, 195.5 Mills will generate income in the amount of \$3,807,362.00

(((\$21,000,000.00 Assessed Value minus \$1,500,000.00 Property Tax Relief Exemption) plus \$1,000,000.00 Growth x 95% Collection Rate x 195.5 Mills) =
 (\$21,000,000.00 - \$1,500,000.00 + \$1,000,000.00) x .95 x .1955 =
 \$20,500,000.00 x 95% Collection Rate x 195.5 Mills = \$3,807,362.00

As long as the School Operating Budget does not exceed \$3,807,362.00, it may be implemented without a positive majority vote of the appropriate governing body.

As explained above, the school operating budget may be further increased, beyond the CPI-U inflation limitation, for certain items: Education Finance Act Inflation Factor; a prior year's operating deficit; judicial mandates; and natural disasters as declared by the Governor.

Thus the \$3,807,362.00 budget for school operating expenses may be increased by:

- (1) the Education Finance Act Inflation Factor \$5,000.00
- (2) the prior school year operating deficit \$100,000.00
- (3) the increase in operating costs due to the judicial mandate \$100,000.00
- (4) increase in operating costs due to the hurricane \$5,000.00

¹⁷Note: This millage rate may be exceeded if such is approved by a positive majority vote (majority of the members of the entire group, whether present or not) of the appropriate governing body.

The school operating budget will thus increase to \$4,017,362.00
($\$3,807,362.00 + \$5,000.00 + \$100,000.00 + \$100,000.00 + \$5,000.00$)

The \$4,017,362.00 budget may be implemented without a positive majority vote of the appropriate governing body.

The millage required to fund this budget in 1997 206.3 Mills
($\$4,017,362.00 \div [(\$22,000,000 - \$1,500,000.00) \times 95\% \text{ Collection Rate}] =$
($\$4,017,362.00 \div \$19,475,000.00 = 206.3 \text{ Mills}$)

NOTE: The school operating millage may only be levied against the assessed value of taxable property LESS the value of the Property Tax Relief Exemption. For purposes of this example that means for 1997 the school operating millage will be levied against $\$22,000,000.00 - \$1,500,000.00 = \$20,500,000.00$.

Example: Millage for School Bonded Indebtedness NOT in Year of Reassessment

NOTE: Increases in the millage for bonded indebtedness are NOT limited by the CPI-U nor by any need for a positive majority of the appropriate taxing authority.

In 1996, 10 Mills were levied for school bonded indebtedness.

Those ten mills, in 1996, produced \$199,500.00

$$[(\$21,000,000.00 \text{ Assessed Valuation} \times 10 \text{ Mills}) \times 95\% \text{ Collection Rate}] = \\ \$210,000.00 \times 95\% = \$199,500.00.$$

In 1997 the bonds payments will be increase by \$40,000.00

Revenues required to fund bonded indebtedness for 1997 will be \$239,500.00

$$\$199,500.00 + \$40,000.00 = \$239,500.00$$

Millage required in 1997 to fund \$239,500.00 11.5 Mills

$$\text{Revenues required } (\$239,500.00) \div \text{by Total Assessed Value of All Property} \\ (\$22,000,000.00) \times 95\% \text{ (Collection Rate)} = \\ \$239,500.00 \div (\$22,000,000.00 \times .95) = \\ \$239,500.00 \div \$20,900,000.00 = 11.5 \text{ Mills}$$

NOTE: This millage for school bonded indebtedness will be levied against the assessed value of ALL 1997 taxable property - there is no property tax relief exemption from bonded indebtedness. For purposes of this example that means for 1997 the school bonded indebtedness millage will be levied against \$22,000,000.00.

Example: Millage for County Operations NOT in Year of Reassessment

In 1996, the operating millage for the county 10 Mills
 Normally, the millage required for operations may be increased only to the extent of the increase in the consumer price index for the preceding fiscal year. S.C. Code Ann. Section 6-1-320.

1997 Millage: 10 Mills for county operations in 1996 x CPI-U 10.3 Mills
 10 Mills x 2.9%

10.3 Mills will produce revenues of \$215,270.00
 \$22,000,000.00 x 10.3 Mills x 95% collection rate

As long as the county operating budget does not exceed \$215,270.00 it may be implemented without a positive majority of the appropriate governing body. However, this amount may be increased for certain items - natural, environmental, or other disasters as declared by the Governor; to offset a prior year's deficit; because of judicial mandates; to meet the Education Finance Act Inflation factor, and to fund a reserve account - without regard to the CPI-U inflation limitation and without a positive majority vote of the appropriate governing body.

County needs additional operating funds for:

Prior year operating deficit \$50,000.00

Additional operating funds because of hurricane damage \$75,000.00

Amount to fund reserve account \$50,000.00

Total \$175,000.00

County Operating Budget \$390,270.00

\$215,270.00 + \$75,000.00 (hurricane) + \$50,000.00 (previous deficit) +
 \$50,000.00 (reserve account) = \$390,270.00

Total operating budget may be as large as \$390,270.00 without the need for a positive majority vote of the appropriate governing body.

The millage required to fund the County Operating Budget in 1997 18.7 Mills

$\$390,270.00 \div [\$22,000,000.00 \times 95\% \text{ Collection Rate}] = 18.7 \text{ Mills}$

NOTE: The millage for county operations will be levied against the assessed value of ALL 1997 taxable property - there is no property tax relief exemption from non-school operations. For purposes of this example that means for 1997 the millage for county, municipalities, and special purpose districts will be levied against \$22,000,000.00.

Example: Millage for County Bonded Indebtedness NOT in Year of Reassessment

NOTE: Increases in the millage for bonded indebtedness are NOT limited by the CPI-U nor by any need for a positive majority of the appropriate taxing authority.

In 1996, millage levied to fund county bonded indebtedness	5 Mills
5 Mills in 1996 produced revenues of	\$99,750.00
(\$21,000,000.00 Assessed Value of all Taxable Property for 1996 x 5 Mills x 95% collection rate)	
The bonded indebtedness for the county increases in 1997 by	\$10,000.00
Total revenues needed for County Bonded Indebtedness for 1997	\$109,750.00
(\$99,750.00+ \$10,000.00)	
Millage required to fund this bonded indebtedness in 1997	5.3 Mills
$\frac{\$109,750.00}{[\$22,000,000.00 \times 95\% \text{ collection rate}]}$ $\frac{\$109,750.00}{\$20,900,000.00} = 5.3 \text{ Mills}$	

NOTE: This millage for bonded indebtedness will be levied against the assessed value of ALL 1997 taxable property - there is no property tax relief exemption from bonded indebtedness. For purposes of this example that means for 1997 the school bonded indebtedness millage will be levied against \$22,000,000.00.

SUMMARY:

206.3 Mills required for School Operations: to be levied against	\$20,500,000.00
Assessed Value of all Taxable Property for 1997 less Property Tax Relief	
(\$22,000,000.00 Assessed Value of all Taxable Property for 1997 LESS \$1,500,000.00 Property Tax Relief Exemption)	
18.7 Mills required for County Operations to be levied against	\$22,000,000.00
Assessed Value of all Taxable Property for 1997	
11.5 Mills required for Bonded Indebtedness of School to be levied against . . .	\$22,000,000.00
Assessed Value of all Taxable Property for 1997	
5.3 Mills required for Bonded Indebtedness of County to be levied against	\$22,000,000.00
Assessed Value of all taxable property for 1997	
206.3 Mills x \$20,500,000.00 x 95% Collection Rate	\$4,017,692.00
35.5 Mills (18.7 + 11.5 + 5.3) x \$22,000,000.00 x 95% Collection Rate	\$741,950.00
Total Revenues for all purposes	\$4,759,642.00

MAXIMUM MILLAGE RATE IN A YEAR OF REASSESSMENT

BACKGROUND

S.C. Code Ann. Section 12-43-217 (Supp. 1997) reads in part:

Notwithstanding any other provision of law, once every fifth year each county or the State shall appraise and equalize those properties under its jurisdiction. Property valuation must be complete at the end of December of the fourth year and the county or State shall notify every taxpayer of any change in value or classification if the change is one thousand dollars or more. In the fifth year, the county or State shall implement the program and assess all property on the newly appraised values.

Generally, a local governing body, i.e., the governing body of a county, municipality, or special purpose district, may only increase the millage rate imposed for **general operating purposes** above the rate imposed for such purposes for the prior tax year to the extent of the increase in the consumer price index for the preceding fiscal year. S.C. Code Ann. Section 6-1-320. However, in the year in which a reassessment program is implemented, the rollback millage, as calculated pursuant to S.C. Code Ann. Section 12-37-251(E)¹⁸, must be used in lieu of the previous year's millage rate. S.C. Code Ann. Section 6-1-320(a).

S.C. Code Ann. Section 12-37-251(E) provides the means for determining rollback millage.

. . . Rollback millage is calculated by dividing the prior year property tax revenues¹⁹ by the adjusted total assessed value applicable in the year the values derived from a county wide equalization and reassessment program are implemented. This amount of assessed value must be adjusted by deducting assessments added for property or improvements not previously

¹⁸S.C. Code Section 12-37-251(E) impliedly repealed Code Section 12-43-290 (Political subdivisions may increase millage for certain purposes) and the increase in ad valorem tax allowed in Code Section 12-43-280(a) (Total tax shall not be increased more than one percent as a result of equalization and reassessment). In enacting Section 12-37-251(E) (Supp. 1996)[Act No. 145], which limited millage increases in reassessment years and defined rollback millage, the General Assembly stated that "all acts or parts of acts inconsistent with any of the provisions of part II of this act are repealed." S.C. Information Letter # 97-8.

¹⁹"Prior year property tax revenues" means those property taxes billed and collected the prior property tax year plus that year's delinquent taxes collected beginning January 16, and for those counties that have the local option sales tax credit (LOST), the prior year LOST credit which was applied to property tax bills must be added.

taxed, for new construction, and for renovation of existing structures [i.e. Growth]. (Emphasis added.)

As noted above, the rollback millage imposed for general operating purposes may be increased to the extent of the increase in the consumer price index for the preceding fiscal year. S.C. Code Ann. Section 6-1-320. For the purposes of the consumer price index, the Department of Revenue uses the average increase in the Consumer Price Index for all Urban Consumers (CPI-U) which is published by the U.S. Department of Labor's Bureau of Labor Statistics. Therefore, for a 1997 reassessment year, the rollback millage may be increased by 2.9% - the average increase in the CPI-U for 1996. S.C. Information Letter # 97-8²⁰

Additionally, the limitation on a millage rate increase for **general operating purposes** to the CPI-U, may be suspended and the millage rate increased further for the following purposes:

- (a) To respond to a natural, environmental, or other disaster as declared by the Governor;
- (b) To offset a prior year's deficit (see Section 7, Article X of the S.C. Constitution);
- (c) To raise the revenue necessary to comply with judicial mandates requiring the use of county or municipal funds, personnel, facilities, or equipment;
- (d) To meet the minimum required local Education Finance Act inflation factor as projected by the State Budget and Control Board, and the per pupil maintenance of effort requirement of Section 59-21-1030, if applicable.

S.C. Code Ann. Section 6-1-320(B).

The rollback millage may be further increased above the increase in the consumer price index by a positive majority vote of the appropriate governing body. S.C. Code Ann. Section 6-1-320(C). "Positive Majority" means a vote for adoption by the majority of the members of the entire governing body, whether present or not.²¹ S.C. Code Ann. Section 6-1-300(5). The vote must be taken at a specially-called meeting held solely for the purpose of taking a vote to increase the

²⁰Nothing contained herein affects the rights of a legislative delegation to set or restrict school district millage, and it does not amend or repeal any cap on school millage provided by current law or statute or limitation on the fiscal autonomy of a school district as currently in existing law. S.C. Code Ann. Section 6-1-320(E).

²¹The positive majority vote of the governing body does not apply to school districts that have their budgets approved by qualified electors at a town meeting. S.C. Code Ann. Section 6-1-320(F).

millage rate. The governing body must provide public notice of the meeting notifying the public that the governing body is meeting to vote to override the limitation and increase the millage rate. Public comment must be received by the governing body prior to the override vote.

Neither the limitation to the increase in the CPI-U, nor the need for a positive majority vote, applies to any increase in millage that is levied:

- (a) to pay bonded indebtedness, or
- (b) to make payments for real property purchased using a lease-purchase agreement, or
- (c) to maintain a reserve account.

S.C. Code Ann. Section 6-1-320(D); see also S.C. Information Letter # 97-8.

NOTE: In computing revenues necessary to fund a budget for a taxing entity, the amount of reimbursements received from the State as a result of exemptions should be subtracted. Any millage will then be imposed only against the taxable property.

The following example illustrates how the maximum millage rate is computed in a reassessment year.

Examples: Facts for Maximum Millage Rate in a Year of Reassessment

Assume we are computing the maximum millage rate for the 1997 tax year.

Assume:

(1) Assessed Valuation of all Taxable Property for 1996 \$21,000,000.00

This figure **does not include**:

- (1) Property subject to a Fee-in-Lieu of Taxes pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.*(Supp. 1997);
- (2) Property located in a Joint Industrial or Business Park established pursuant to S.C. Code Ann. Section 4-1-170 (Supp. 1997);
- (3) Inventories;
- (4) The **Homestead Exemption**;
- (5) Other property exempt from ad valorem property taxes.

(2) Growth - Property or improvements **in 1997** not previously taxed, new construction and renovation of existing structures \$1,000,000.00

This figure **does not include**:

- (1) Property subject to a Fee-in-Lieu of Taxes pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.*(Supp. 1997);
- (2) Property located in a Joint Industrial or Business park ;
- (3) Inventories;

- (4) The value of the **Homestead Exemption**;
 - (5) Other property exempt from ad valorem property taxes.
- (3) Assessed Valuation of all Property **for 1997**, including Growth - i.e., property or improvements not previously taxed, new construction, and renovation of existing structures \$22,000,000.00
- This figure **does not include**:
- (1) Property subject to a Fee-in-Lieu of Taxes pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.*(Supp. 1997);
 - (2) Property located in a Joint Industrial or Business Park established pursuant to S.C. Code Ann. Section 4-1-170 (Supp. 1997);
 - (3) Inventories;
 - (4) The value of the **Homestead Exemption**;
 - (5) Other property exempt from ad valorem property taxes.
- (4) Re-Assessed Valuation of all Property **for 1997**, but **excluding** Growth - see Section 12-37-251(E) - \$24,000,000.00
- This figure **does not include**:
- (1) Property subject to a Fee-in-Lieu of Taxes pursuant to S.C. Code Ann. Sections 4-12-30, 4-29-67, 12-44-10 *et seq.*(Supp. 1997);
 - (2) Property located in a Joint Industrial or Business Park established pursuant to S.C. Code Ann. Section 4-1-170 (Supp. 1997);
 - (3) Inventories;
 - (4) The value of the **Homestead Exemption**;
 - (5) Other property exempt from ad valorem property taxes.
- (5) Assessed Value of Property Tax Relief for 1997, applicable only to amounts levied for School Operations \$1,500,000.00
- (6) Assessed Value of Property Tax Relief for 1996, applicable only to amounts levied for School Operations \$1,000,000.00

The exemption is based on the 1995 school operating millage or the current (1996) school operating millage whichever is less²². The reimbursement received from the State as a result of property tax relief should be subtracted from the revenues needed to fund the budget for the taxing entity.

²²Section 12-37-251(a)(1) (Supp. 1997) indicates the property tax exemption is calculated on the school operating millage imposed for 1995 or the current school operating millage, whichever is lower. The current school operating millage is the school operating millage for 1996, since we are determining the 1997 millage rate.

The exemption is based on the 1995 school operating millage.
 The reimbursement received from the State as a result of property tax relief should be subtracted from the revenues needed to fund the budget.

(7) New County Bond Payments for 1997	\$10,000.00
(8) New School Bond Payments for 1997	\$40,000.00
(9) Education Finance Act Inflation Factor	\$5,000.00
(10) Prior year's school operating deficit	\$100,000.00
(11) Prior year's county operating deficit	\$50,000.00
(12) Hurricane results in additional operating expenses for county	\$75,000.00
(13) Hurricane results in additional operating expenses for school	\$5,000.00
(14) County desires to increase its reserve fund	\$50,000.00
(15) Judicial mandate results in rise in school operating costs	\$100,000.00
(16) CPI-U for 1996	2.9%
(17) Collection Rate for Taxes Billed in 1996 and expected for 1997	95%

Millage Rates for 1996.

School Operating Millage ²³	190 Mills
School Bond Millage	10 Mills
County Operating Millage	10 Mills
County Bond Millage	5 Mills

²³See Revenue Procedure #97-4 for the procedure prescribed by the Department of Revenue for adjusting the school operating base year millage in a year of reassessment.

Example: School Operating Millage in Year of Reassessment

Normally the millage rate for 1997 for general school operations may be increased from that of 1996 only by the amount of the CPI-U - 2.9%. However, in computing the CPI-U adjustment, the rollback millage must be used rather than the previous year school operating millage.

Rollback Millage = 1996 Property Tax Revenues²⁴ divided by 1997 Adjusted total assessed value derived from the county wide equalization and reassessment program, less Growth [property or improvements not previously taxed, new construction, and renovation of existing structures].

1996 Property Tax Revenues for school operations \$3,610,000.00
 \$21,000,000 (All taxable property for 1996) - \$1,000,000 (Prop. tax relief for 1996) x 190 Mills for School Operations x 95 % collection rate =
 \$3,610,000.00

Rollback Millage 168.9 Mills
 \$3,610,000.00 (1996 Property Tax Revenues) ÷ [(\$25,000,000.00 1997 Reassessed property values minus \$1,500,000.00 Property Tax Relief Exemption for 1997 less \$1,000,000.00 Growth) x 95% Collection Rate] =
 \$3,610,000.00 ÷ (\$22,500,000.00 x 95%) =
 \$3,610,000.00 ÷ \$21,375,000.00 = 168.9 Mills

Rollback Millage may be increased by CPI-U of 2.9% 173.8 Mills
 168.9 Mills x 1.029 = 173.8 Mills

Revenues for school operations generated by Rollback Millage,
 Increased by CPI-U \$3,880,085.00
 (\$24,000,000.00 1997 Reassessed Value of Property + \$1,000,000.00 Growth) less \$1,500,000.00 1997 Property Tax Exemption x 173.8 Mills x 95% Collection Rate =
 \$23,500,000.00 x 173.8 Mills x 95 % Collection Rate = \$3,880,085.00

As long as the school operating budget does not exceed \$3,880,085.00, it may be implemented without a positive majority of the appropriate governing board. If the budget exceeds this amount, a positive majority vote will be required.



²⁴ “1996 property tax revenues” means those property taxes billed and collected for the 1996 property tax year plus that year’s delinquent taxes collected beginning January 16, and for those counties that have the local option sales tax (LOST), the prior year LOST credit which was applied to property tax bills must be added.

Additionally, as explained earlier, amounts required to respond to a natural, environmental, or other disaster as declared by the Governor; amounts to offset a prior year's deficit; amounts necessary to comply with judicial mandates; and amounts necessary to meet the minimum required local Education Finance Act inflation factor may also be added to the \$3,880,085.00 budget and levied without the necessity of a positive majority vote by the appropriate governing body.

Assuming the School Operating Budget is \$3,880,085.00 for 1997 the following additional amounts may be added to that figure to achieve the school's final operating budget:

(1) Education Finance Act Inflation Factor	\$5,000.00
(2) 1996 School Operating Deficit	\$100,000.00
(3) Judicial Mandate	\$100,000.00
(4) Increase in operating costs due to the hurricane	\$5,000.00

Additional Amounts Required	\$210,000.00
School Operating Budget for 1997	\$4,090,085.00
\$3,880,085.00 + \$210,000.00	

\$4,090,085.00 can be budgeted without the need for a positive majority vote of the appropriate governing authority.

Maximum School Operating Millage 183.2 Mills

$$\begin{aligned}
 & \$4,090,085.00 \div [(\$24,000,000.00 \text{ 1997 Total Reassessed Value of all property} \\
 & \quad \text{less } \$1,500,000.00 \text{ Property Tax Relief) + } \$1,000,000.00 \text{ Growth} \\
 & \quad \text{x 95\% Collection Rate]} \\
 & \$4,090,085.00 \div (\$23,500,000.00 \times 95\%) \\
 & \$4,090,085.00 \div \$22,325,000.00
 \end{aligned}$$

NOTE: The school operating millage may only be levied against the assessed value of taxable property LESS the current value of the Property Tax Relief Exemption. For purposes of this example, for 1997, the school operating millage will be levied against \$23,500,000.00 (\$24,000,000.00 Reassessed Property Values - \$1,500,000.00 (Property Tax Exemption) + \$1,000,000.00 New Property)= \$23,500,000.00.

Example: School Bonded Indebtedness in Year of Reassessment

NOTE: Increases in the millage for bonded indebtedness are NOT limited by the CPI-U nor by any need for a positive majority of the appropriate taxing authority.

Rollback Millage = 1996 Property Tax Revenues²⁵ divided by 1997 Adjusted total assessed value derived from the county wide equalization and reassessment program, less Growth [property or improvements not previously taxed, new construction, and renovation of existing structures].

1996 Revenues for School Bonded Indebtedness	\$199,500.00
$\$21,000,000.00^{26}$ Assessed Val. for 1996 x 10 Mills x 95% Collection Rate = $\$21,000,000.00 \times .010 \times .95 = \$199,500.00$	

Rollback Millage	8.8 Mills
$\$199,500.00$ (Revenues for Bonded Indebtedness) ÷ $\$24,000,000.00$ 1997 Reassessed Value not including growth x 95% Collection Rate = $\$199,500.00 \div (\$24,000,000.00 \times 95\%) =$ $\$199,500.00 \div \$22,800,000.00 = 8.8$ Mills	

8.8 Mills will produce 1997 Revenues	\$209,000.00
$\$25,000,000.00$ (1997 Reassessed property + Growth) x 8.8 Mills x 95% Collection Rate = $\$25,000,000.00 \times .0088 \times .95 = \$209,000.00$	

Bonded Indebtedness increase in 1997	\$40,000.00
Total Revenues Required in 1997 for Bonded Indebtedness	\$249,000.00
$\$209,000.00$ recurring cost + $\$40,000.00$ (add'tl cost)	

Millage Required for 1997 Bonded Indebtedness	10.5 Mills
$\$249,000.00 \div (\$25,000,000.00 \times 95\% \text{ collection rate}) =$ $\$249,000.00 \div \$23,750,000.00 = 10.5$ Mills	

NOTE: This millage for school bonded indebtedness will be levied against the reassessed value of ALL 1997 taxable property plus growth - there is no property tax relief exemption from bonded indebtedness. For purposes of this example that means for 1997 the school bonded indebtedness millage will be levied against \$25,000,000.00.

²⁵See Footnote 19, *supra*.

²⁶The Property Tax Exemption applies only to school operations and not to bonded indebtedness. Thus, the amount of the Property Tax Exemption is not excluded.

Example: Millage for County Operations in Year of Reassessment

Normally the millage rate for 1997 for county operations may be increased from that of 1996 only by the amount of the CPI-U - 2.9%. However, in computing the CPI-U adjustment, the rollback millage must be used rather than the previous year school operating millage.

In 1996, the operating millage for the county 10 Mills

Rollback Millage = 1996 Property Tax Revenues²⁷ divided by 1997 Adjusted total assessed value derived from the county wide equalization and reassessment program, less Growth [property or improvements not previously taxed, new construction, and renovation of existing structures].

1996 Property Tax Revenues \$199,500.00

\$21,000,000.00 1996 Value of all Taxable Property x 10 Mills
 x 95 % Collection Rate =
 \$21,000,000.00 x .010 x .95 = \$199,500.00

Rollback Millage 8.8 Mills

\$199,500.00 ÷ \$24,000,000.00 (1997 Reassessed Val. Less Growth)
 x 95% Collection Rate)
 \$199,500.00 ÷ \$22,800,000.00

The operating millage for the county may be increased by the amount of the CPI-U (2.9%) without the requirement of a positive majority vote of the appropriate governing authority.

Millage Rate Increased by CPI-U 9.1 Mills

8.8 Mills x 1.029 CPI-U = 9.1 Mills

9.1 Mills will produce revenues of \$216,125.00

9.1 Mills x \$25,000,000.00 (Reassessed Value + Growth) x 95% Collection Rate =
 .0091 x \$23,750,000.00 = \$216,125.00

If county budget does not exceed \$216,125.00, it may be implemented without the need of a positive majority vote of the appropriate governing authority.

²⁷See Footnote 19, *supra*.

Additionally, the budget of \$216,125.00 may be increased, also without a positive majority vote of the appropriate governing body, for the increase in expenses resulting from hurricane damage, to offset the prior year's deficit, and to fund the reserve account.

Additional funds for these amounts are as follows:

Prior year operating deficit	\$50,000.00
Additional operating funds because of hurricane damage	\$75,000.00
Amount to fund reserve account	\$50,000.00

Total	\$175,000.00

The County Operating Budget may be as large as \$391,125.00
 (\$216,125.00 + \$175,000.00) without the requirement of a positive majority vote of the appropriate governing body.

The millage required to raise \$391,125.00 in revenues 16.5 Mills
 $\$391,125.00 \div (\$25,000,000.00 \times 95\% \text{ Collection Rate})$
 $\$391,125.00 \div \$23,750,000.00 = 16.5 \text{ Mills}$

NOTE: This millage for county operations will be levied against the reassessed value of ALL 1997 taxable property plus growth - there is no property tax relief exemption from county operations. For purposes of this example that means for 1997 the school bonded indebtedness millage will be levied against \$25,000,000.00.

Example: County's Bonded Indebtedness in Year of Reassessment

NOTE: Increases in the millage for bonded indebtedness are NOT limited by the CPI-U nor by any need for a positive majority of the appropriate taxing authority.

In 1996, Millage levied for the county's bonded indebtedness 5 Mills

Rollback Millage = 1996 Property Tax Revenues²⁸, divided by 1997 Adjusted total value of all property based on equalization & reassessment, less Growth (property or improvements not previously taxed, new construction and renovation of existing structures).

1996 Revenues to Finance County Bonded Indebtedness \$99,750.00
 $\$21,000,000.00 \times 5 \text{ Mills} \times 95\% \text{ Collection Rate}$

Rollback Millage 4.4 Mills
 $\$99,750.00 \div [(\$24,000,000.00 \text{ (1997 Reassessed Property Values - Growth)}) \times 95\% \text{ Collection Rate}] =$
 $\$99,750.00 \div \$22,800,000.00 = 4.4 \text{ Mills}$

1997 Revenues Produced by 4.4 Mills \$104,500.00
 $\$25,000,000.00 \text{ (1997 Reassessed Value of all Taxable Property + \$1,000,000.00 New Growth)} \times 4.4 \text{ Mills} \times 95\% \text{ Collection Rate} =$
 $\$25,000,000.00 \times .0044 \times .95 = \$104,500$

For 1997, Bonded Indebtedness of County increases \$10,000.00

Revenues required in 1997 for bonded indebtedness \$114,500.00
 $\$104,500.00 \text{ recurring costs} + \$10,000.00 \text{ new bond costs}$

Millage required to produce \$114,500.00 in Revenues 4.8 Mills
 $\$114,500.00 \div [\$25,000,000.00 \text{ (1997 Total reassessed value of all property + Growth)} \times 95\% \text{ Collection Rate}] =$
 $\$114,500.00 \div \$23,750,000.00 = 4.8 \text{ Mills}$

NOTE: This millage for county bonded indebtedness will be levied against the reassessed value of ALL 1997 taxable property plus growth - there is no property tax relief exemption from bonded indebtedness. For purposes of this example that means for 1997 the school bonded indebtedness millage will be levied against \$25,000,000.00 (Reassessed value of \$24,000,000.00 + \$1,000,000.00 growth).

²⁸See Footnote 19, *supra*.

SUMMARY:

183.2 Mills required for School Operations to be levied against	\$23,500,000.00
(\$25,000,000.00 Reassessed Value of all Taxable Property for 1997 plus Growth LESS \$1,500,000.00 Property Tax Relief Exemption)	
16.5 Mills required for County Operations to be levied against	\$25,000,000.00
Reassessed Value of all Taxable Property for 1997 plus Growth.	
10.5 Mills required for Bonded Indebtedness of School to be levied against . . .	\$25,000,000.00
Reassessed value of all taxable property for 1997 plus Growth	
4.8 Mills required for Bonded Indebtedness of County to be levied against	\$25,000,000.00
Reassessed value of all taxable property for 1997 plus growth.	
183.2 Mills x \$23,500,000.00 x 95% Collections Rate	\$4,089,940.00
31.8 Mills (16.5 + 10.5 + 4.8) x \$25,000,000.00 x 95% Collection Rate	\$755,250.00

Total Revenues For all Purposes	\$4,845,190.00

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/ _____
Burnet R. Maybank, III, Director

Columbia, South Carolina

September 10 , 1998