

STATE PROPERTY TAX RELIEF FOR HOMEOWNERS SIGNED INTO LAW

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Homeowners in South Carolina, particularly those with expensive homes, will see property tax relief at the end of 2007 under a tax reform plan signed Monday by Gov. Mark Sanford.

The statewide sales tax rate will rise by 20 percent, from 5 cents on the dollar to 6 cents, to pay for lower property tax bills.

The centerpiece of the tax reform plan is the exemption of owner-occupied homes from the property tax that funds school operations. School operations typically account for the largest part of a tax bill, which can include many property taxes.

"This bill represents a net tax cut to a whole host of homeowners across the state, families that can use those dollars to send their kids to school or reinvest that money in a small business," Sanford said.

For many homeowners, the savings will be modest.

The owner of a home worth \$100,000 in Berkeley County, for example, would have saved \$236 in property taxes this year, while paying higher sales tax, had the legislation been in force.

South Carolina already offers relief from most property taxes for school operations on the first \$100,000 of a home's value. Half of the owner-occupied single-family homes in the state were estimated to be worth \$114,000 or less in 2004, according to the Census Bureau.

Also, elderly and disabled homeowners currently pay no property tax on the first \$50,000 of a home's value.

In coastal counties, the tax relief provided by the legislation will be more significant than in other parts of the state because property values are generally higher. Those with the most expensive homes will enjoy tremendous tax savings.

For example, at this year's tax rates, the owner of a \$1,000,000 home in Charleston would have seen his property tax bill drop by \$3,287 with the elimination of the school operations property tax. The owners of a median-value home, worth \$178,500, would have saved \$358.

The property tax savings won't kick in until the end of 2007, when the property tax bills due in early 2008 are mailed. The sales tax increase takes effect next June, with a few exceptions. The sales tax on accommodations will not rise, and the sales tax rate for unprepared food will drop to 3 percent.

The legislation also limits future tax increases, and provides for relief from a portion of county taxes if the higher sales tax raises more money than needed to eliminate school operations taxes.

The governor's office, citing data from the state Board of Economic Advisors, claimed Monday that the average homeowner would see their property tax bill cut by more than 60 percent under the new law. Most Lowcountry residents will see smaller savings.

School operating taxes make up 38 percent of the property tax bill for Charleston residents, for example, and 53 percent of the bill in unincorporated Berkeley County. For most homeowners, a large chunk of that tax is already eliminated by existing tax relief programs.

The tax plan

Here are the highlights of the property tax plan:

--Eliminate the school operations portion of homeowners' property tax bills, starting with the 2007 tax year.

--Increase the statewide sales tax to 6 cents on the dollar, starting in June 2007. Distribute the money to school districts to make up for the lost property tax money.

--Cut the statewide sales tax on certain groceries to 3 cents on the dollar, starting in October.

--Slightly reduce the county operation portion of tax bills, if funding is available.

--Mandate that all counties get at least \$2.5 million for school operations.

--Grant local counties the ability to levy an additional 1-cent local sales tax to further reduce property taxes.

--Impose spending limits on local governments but not state government.

--Establish a one-time sales tax holiday for the two days after Thanksgiving.

--Create a committee to study existing sales tax exemptions.

--Allow people to pay property taxes in installments.