

# SC Association of School Business Officials 2023 Spring Conference

MARCH 8, 2023

# Rollback Millage Calculation

# How is Rollback Millage Calculated?

- Rollback millage is calculated by dividing the prior year property taxes levied (adjusted by abatements and additions) by the adjusted total assessed value applicable in the year the values derived from a countywide equalization and reassessment program are implemented.

- Formula based on statutory language in SC Code Section 12-37-251

**Prior year taxes levied (adjusted for abatements and additions)**

**Adjusted total assessed value**

# Adjustments

## Adjustments to Prior Year Taxes Levied:

- Add any additions to real and personal property
- Subtract abatements

# Adjustments

## **Adjustments to New Total Assessed Value as a Result of Reassessment:**

- Subtract assessments added for property or improvements not previously taxed
- Subtract assessments for new construction
- Subtract assessments for renovations of existing structures
- Subtract assessments attributable to increases in value due to an assessable transfer of interest (ATI)

# Increases and Limitations

## SC Code Section 6-1-320

### **Prior Years Millage or Rollback Millage:**

- Add for CPI (8.0% for 2023)
- Add for population increases - growth (will be published by Revenue & Fiscal Affairs in March)

- Calculate your operating millage allowance every year, even if you do not use it.
- You may go back and pick up the previous 3 years under SC Code Section 6-1-320(A)(2).
- It is best to pick up the oldest year first.

# Adjustments have been made but we still do not have enough millage...what can we do?

First use the allowance for this year, then you may look back for the three prior years.

Any prior year millage increase allowed but not previously imposed for the past three property tax years may be picked up.



# So, this is still not enough millage, what are our options now?

The limitation may be suspended with a 2/3 vote of the governing body for these purposes:

1. Deficiency in the preceding year
2. A catastrophic event (natural disaster, severe weather event, fire, terrorism, etc.)
3. Compliance with a court order or decree
4. Taxpayer closure which decreases by 10% revenue available to taxing jurisdiction
5. Compliance with a regulation of statute enacted by federal or state government with no appropriation provided.

# Millage Override Requirements on Tax Bill

## SC Code Section 6-1-320(B)

- If the millage is increased to pay for items 1 – 5 listed above, then the amount of tax must be listed on the tax bill as a separate surcharge for each item, and **not be included with a general millage increase**.
- Each separate surcharge must have an explanation of the reason for the surcharge.
- The surcharge must be continued only for the years necessary to pay for the deficiency, the catastrophic event, or for the compliance with the court order or decree.

# Millage Override Requirements on Tax Bill

## SC Code Section 6-1-320(C)

- The millage increase permitted in subsection (B) is in addition to the increases from the previous year permitted pursuant to subsection (A) and shall be an additional millage levy above that permitted by subsection (A).
- The millage limitation provisions of this section do NOT apply to revenues, fees, or grants not derived from ad valorem property tax millage or to the receipt or expenditures of state funds.

# Millage Override Requirements on Tax Bill

## SC Code Section 6-1-320(D)

- The restriction contained in this section does not affect millage that is levied to pay bonded indebtedness or payments for real property purchased using a lease-purchase agreement or used to maintain a reserve account.
- Nothing in this section prohibits the use of energy-saving performance contracts as provided in Section 48-52-670.

# Millage Override Requirements on Tax Bill

## SC Code Section 6-1-320(E)

- **Notwithstanding any provision contained in this article, this article does not and may not be construed to amend or to repeal the rights of a legislative delegation to set or restrict school district millage, and this article does not and may not be construed to amend or to repeal any caps on school millage provided by current law or statute or limitation on the fiscal autonomy of a school district that are more restrictive than the limit provided pursuant to subsection (A) of this section.**

# Local Governing Body Defined

## SC Code Section 6-1-300(3)

- As used in this article:
  - “Local governing body” means the governing body of a county, municipality, or special purpose district.
  - As used in Section 6-1-320 only, **local governing body also refers to the body authorized by law to levy school taxes.**

# What Are My Assessments?

- The assessments should be a compilation of ALL TAXABLE PROPERTY in the taxing jurisdiction.
- As mentioned earlier, you should remove assessments associated with the following:
  - All new property not previously taxed (real and personal property)
  - Any new assessments for renovations and new construction
  - Any increases in assessments attributable to Assessable Transfers of Interest (ATI's)
- Any assessments identified as “new assessments” should be set aside. Once your millage has been set, these “new” assessments will generate additional taxes that can be used by the taxing jurisdiction.

# What Are My Assessments?

## Real Property Assessed By The County

- Real Property:
  - Owner-occupied residential (including mobile homes)
  - **NOTE: For school district operating millage purposes, the assessments for owner- occupied residential property should not be included (See SC Code Section 12-37-220(B)(47))**
  - Use value of all agricultural property (4% and 6%)
  - All other real property (commercial, second homes and non-owner-occupied residential mobile homes – 6%)



# What Are My Assessments?

## Personal Property Assessed By The County

- Motor vehicles
- Watercraft and motors
- Aircraft
- All other personal property

# What Are My Assessments?

## All Property Assessed by the SCDOR

- Manufacturing (real and personal)
- Utility and Railroad
- Business personal property
- **NOTE - Do not include:**
  - Fee-in-lieu
  - Joint industrial park
  - Manufacturers' reimbursement including Property Valuation Exemption (PVE)
  - Business personal property lock-in
  - Motor carriers

# What Happens to the Assessment Base Over Time?

- Owner occupied residential property normally increases. Keep in mind property tax values that increase are capped at 15%.
- **REMEMBER, Schools can NOT tax owner occupied residential property.**
- Agricultural use values do not change.

# What Happens to the Assessment Base Over Time?

- Business personal property decreases because of the depreciation of personal property (10% - 20%) and the new Internal Revenue Safe Harbor provisions.
- Manufacturing property (machinery and equipment) generally declines because of depreciation (on average 10 – 12% per year).
- Motor vehicles decrease at least 5% per year due to a statutory requirement.
- The majority of the other assessment bases remain fairly stable.

# How Do I Handle Fee-in-lieu, Motor Carrier, and Inventory Lock-in Payments Received from the State

- These payments are not related to the assessments or millage you are trying to establish.
- These items are used to support the budget of the taxing jurisdiction.
- Generally, these payments need to be removed from the budget which then leaves a budget to be funded from taxable property, both real and personal.

# How Do I Handle Tier I, II, III and “The Bump” Payments Received from the State

- These payments are used to support the school district’s budget.
- These payments should be subtracted from the budget needs of the school, which will leave a budget to be funded from taxable property, both real and personal.

# Bonded Indebtedness

- The restrictions of SC Code Section 6-1-320 do not apply to bonded indebtedness or to maintain a reserve account.
- Each taxing entity should notify the county auditor of any bonded indebtedness and then the county auditor will set sufficient millage to cover the bond payments.

# Certification of Millage Rates; Excessive Rates

## SC Code Section 12-43-285

(A) The governing body of a political subdivision on whose behalf a property tax is billed by the county auditor shall certify in writing to the county auditor that the millage rate levied is in compliance with laws limiting the millage rate imposed by that political subdivision.

(B) If a millage rate is in excess of that authorized by law, the county treasurer shall either issue refunds or transfer the total amount in excess of that authorized by law, upon collection, to a separate, segregated fund, which must be credited to taxpayers in the following years as instructed by the governing body of the political subdivision on whose behalf the millage was levied. An entity submitting a millage rate in excess of that authorized by law shall pay the costs of implementing this subsection or a pro rata share of the costs if more than one entity submits an excessive millage rate.



A light gray silhouette of the state of South Carolina is centered on the slide. The text is overlaid on this map.


# Fee-in-Lieu and Joint Industrial Parks

# Fee-In-Lieu Statutes Most Commonly Used

- Title 4, Chapter 12 - “Little Fee”
- Title 4, Chapter 29 – “Big Fee”
- Title 12, Chapter 44 – “Simplified Fee” Super and Enhanced Investment

# Joint Industrial or Business Park

- SC Code Section 4-1-170(A)(3) – Park agreement specifies how revenue must be distributed.



# Local Government Report to The South Carolina Department of Revenue

# Local Government Report to the SCDOR

for \_\_\_\_\_ County, Fiscal Year Ended June 30, \_\_\_\_\_.

## Section I. Individual School District Information

District Name \_\_\_\_\_ Local School District # \_\_\_\_\_  
Tax Year \_\_\_\_\_ State School District # \_\_\_\_\_

- **Section I.** This section is comprised of the information the DOR uses to calculate the index of taxpaying ability. Section I must be completed for *each* school district within the county. If you have a TIFD (Tax Incremental Financing District), report base year total assessed value only. All assessed values should be reported in “net” figures.
- **Section I of the Local Government Report consists of 4 parts:**
  - Part 1. County Assessed Real Property
  - Part 2. County Assessed Personal Property
  - Part 3. Fee-in-Lieu and Joint Industrial Park Information
  - Part 4. DOR Assessments



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