

## Point-of-Sale Assessment Cap

OUR POSITION: OPPOSE

### Background

- In 2006 the state legislature passed Act 388, which eliminated the property tax on owner-occupied homes for school operating expenses and replaced it with a one-cent increase in the statewide sales tax (other than groceries.)
- To help offset the negative impact of this legislation on school operating funding, the law included a provision that all property would additionally be reassessed when it is sold or transferred. The law did not limit the increase in assessed value at the point of sale.

### Bill under Consideration (H.3272)

**House version.** Passed last year, the House version of the bill would entirely eliminate reassessment at the time of sale and do so retroactively to 2007.

**Senate Finance Committee version.** This version initially passed the Senate but was then sent back to the committee. The main points of this version include the following:

- Owner-occupied homes and industrial property would continue to be subject to the full point-of-sale reassessment as has been the case since the passage of Act 388.
- For commercial, second home and other property subject to a 6% assessment ratio, the following would apply:
  - In 2010 these properties would not be subject to point-of-sale reassessment.
  - In following years, there would be an 80% cap on increases in market value during point-of-sale reassessment.
  - There would be a significant loss of funding for schools this year but a much lower amount in the following years.
- The bill would also change the law concerning school district property tax millage increases: In addition to the millage increase allowed under state law for a given year, school districts may add to it any allowed, but not used, millage increases from the previous three years

### Reasons for Opposition

- This is another example of the legislature's piecemeal approach to tax reform that continues to result in unintended consequences and negative impacts on public schools, local government services and our business climate. Our state needs comprehensive tax reform.
- The state legislature has enacted the South Carolina Tax Realignment Commission. The commission has begun the important work of reviewing the state's tax structure and will be making recommendations for comprehensive reform. Any further changes to our tax law should wait until the TRAC commission has released its report.
- The bill would reduce funding for public schools. This comes after the state cut \$30 million out of last year's school district budget and has made additional cuts this fiscal year. In September the state enacted a 4% cut resulting in a loss of \$8 million for our school district. This was followed by an additional cut of 5% announced in December.