

# BURR ALERT

## South Carolina Property Tax Exemptions: Useful Tips for Buyers New to South Carolina

By Lindsay Hartman

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This article is to provide information on a little known tax exemption (6% Exemption”) applicable to real property currently taxed at the 6% tax rate, a tax rate applicable to second homes, rentals and commercial properties. The real estate market in South Carolina appears to be recovering from the COVID-19 crisis quickly with many buyers coming to the lowcountry to enjoy a break from more urban areas and perhaps to realize their retirement dreams a little earlier than planned. With that in mind, we thought it would be useful to alert buyers to the 6% Exemption so that buyers can take advantage of this tax break.

### What is the 6% Exemption?

If you currently use real property acquired in 2020 as a second home, rental, or a commercial space **and** the property was used as either a second home, rental, or commercial space by the seller from whom you purchased the property, then the 6% Exemption likely applies. Applications seeking the 6% Exemption are due by January 30, 2021 to the Beaufort County Assessor.

South Carolina Code Ann. § 12-37-3135 provides that where (1) a property is taxed at 6% assessment ratio prior to a transfer (this generally means a second home, rental, or commercial property); (2) where the property remains taxed at 6% ratio after the transaction; and (3) the purchase price exceeds the value at which the property was being taxed prior to the transfer, then an exemption of up to 25% of the new valuation may be applied in the new year after the sale.

The County will typically reassess properties sold in 2020 and tax them at their purchase price for 2021 forward. This exemption provides that such properties shall be taxed at either the 2020 taxable value or the purchase price less 25% (whichever is greater is used for the 2021 tax bill).

### Does this 6% Exemption apply to my 2020 purchase?

If you currently use the property as a second home, a rental, or a commercial space **and** the property was used as either a second home, rental, or commercial space by the seller from whom you purchased the property, the 6% Exemption likely applies to you for the 2021 tax year. It is possible you are unsure of the previous use of the property prior to your purchase. This can be determined by analyzing prior year tax liability. Your attorney can help.

## What is the actual potential savings of the 6% Exemption?

Detailed below is an example to demonstrate the potential opportunity for savings in 2021. Keep in mind that this is an example only. The final tax valuations are determined by the County. In addition, the County uses millage rates that are subject to change every tax year and vary depending on the location of the property within the County.

Let's say you purchase a second home on Hilton Head Island for \$500,000 in 2020. In 2020, the property was taxed using the market value of \$350,000 and the resulting tax bill was around \$5,000. The new purchaser in 2020, who paid \$500,000, is likely to get a tax bill in 2021 based on the \$500,000 market valuation. This will result in a tax bill of roughly \$7,100. In order to mitigate the increase, you may apply for the 6% Exemption. When the County receives the application and runs the numbers, it should look something like this:

1. ATI Market Value (in other words, purchase price): \$500,000.
2. Market valuation on the 2020 property tax bill: \$350,000.
3. 25% reduction (the Exemption): \$375,000.
4. Taxable value (The greater of either the 2020 Market valuation (number 2 above) or 25% reduction (number 3 above)): In this case, the County will use \$375,000.
5. Tax due for 2021 using the new valuation of \$375,000: \$5,377.
6. Absent applying for the 6% Exemption, Beaufort County would have taxed the property at a value of \$500,000 resulting in a tax bill of approximately \$7,100.

The savings can be quite substantial. Again, keep in mind that these numbers are for demonstration purposes only and do not guarantee a particular result.

## Do I need to apply for the 6% Exemption every year?

No. Once the 6% Exemption is applied to your property in the year after purchase, it should apply every year until the property is no longer classified under the 6% ratio or the manner in which title is held changes.

## How do I apply for the 6% Exemption?

Beaufort County has an application for this exemption available on its website [www.beaufortcountysc.gov](http://www.beaufortcountysc.gov). From their homepage, you should proceed as follows:

1. Click on Government.
2. Under the Departments heading on the far left, click on "Assessor";
3. On the column on the far right, click on "Forms";
4. Select "Assessable Transfer of Interest Exemption (Point of Sale)" which is the fourth from the bottom.

5. Complete and submit on or before January 30, 2021.

Can someone else file this for me?

Yes! You can appoint an attorney to interact on your behalf with Beaufort County via Beaufort County's power of attorney form.

**To discuss this further, please contact:**

[Lindsay Hartman](#) at (843) 785-2171 or [lhartman@burr.com](mailto:lhartman@burr.com)

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