

How South Carolina property taxes can impact homeowners

It is that time of year again... tax time! With every new year comes the unavoidable task of filing and paying your taxes. For military members this can pose a challenge, especially if home ownership is involved. A common misconception about the Service members Civil Relief Act (SCRA) is that it provides relief from all property taxes. However, SCRA only provides tax relief on personal property, such as cars and trucks. Real property, which includes land and the buildings on it, is not covered under SCRA.

Here in Sumter, S.C., tax rates are some of the lowest in the country. There is, however, one unique way that South Carolina chooses to tax real property, which directly impacts military members who choose to purchase a home or rent out a home they already own.

South Carolina calculates real property taxes based on the fair market value (FMV) of a home, which is basically what you could sell the home for. The local county determines this value every five years by first conducting an appraisal.

The second step in the process is extremely important for military members when considering whether to purchase a home, and possibly rent out the home, rather than selling it, when moving away from Shaw. This step involves the local county applying an assessment rate to the FMV. There are two different assessment rates: 4 percent for a primary residence, and 6 percent for all other real estate. So if you own a \$100,000 home the assessed value would be either \$4,000 or \$6,000 ($\$100,000 \times 4\% = \$4,000$; $\$100,000 \times 6\% = \$6,000$). That means that if you own a home and then choose to rent it out, rather than selling, your property taxes will go up.

How much they go up depends on the rather complicated next step in the process. This step involves multiplying the assessed value by what is called the “millage rate.” The millage rate is basically the county’s budget divided by the total assessed value of all property in the county.

South Carolina also provides tax relief to homeowners whose home is their primary residence by exempting them from paying local school operating costs. This means that taxes on your primary residence will not include the school operating cost. In other words, the millage rate on property that is not a primary residence increases because it includes the school operating costs.

The millage rates in Sumter County vary depending on what school district you live in. For example, the millage rate for District 1 in Sumter County for owner occupied real estate is 0.1934. On the other hand, the millage rate in the same district for other residential real estate is 0.3444.

So, to use the example above, if you lived in the \$100,000 home you would multiply \$4,000 by 0.1934, which equals \$773.60. This is how much property tax you would owe. If you did not live in the home, you would multiply \$6,000 by 0.3444, which equals \$2,066.40. As you can see, there is an almost threefold increase in the real property tax owed on the same home just because you no longer live there, but rent it out.

South Carolina also provides additional property tax relief through the local option sales tax and other local property tax relief, but only if the property is your primary residence. So, if you don’t live in the house you own, but rent it out, you will not receive these additional tax breaks.

One more thing to consider, it is your responsibility as the homeowner to notify the county whenever your home is no longer your primary residence. Failure to do so within six months will result in a penalty and interest. So while homeownership can be very rewarding, military members should consider South Carolina property taxes whenever deciding to purchase or rent a home here in beautiful Sumter, S.C.

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