

# PROPERTY TAXES

## FUNDING SCHOOLS WITH LOCAL PROPERTY TAX

### Introduction

School districts assess two types of property taxes: one for school operations and the other for school construction debt service. By state law funds for school operations and for construction debt service must be kept totally separate. Funds cannot be transferred between the two.

A state law, Act 388, eliminated property taxes for school operations on owner-occupied residential property beginning in 2008. School operation property taxes remain in place for all other property: commercial, industrial, vehicles, second homes and other taxable property. Property taxes for school district construction debt service are assessed for all types of property.

### Millage and Computation of the Property Tax

The amount of property taxes paid on a home, vehicle, business or other real property is based on the following factors:

#### Owner-Occupied Residences

*Pay only school construction debt service property taxes.*

#### All Other Taxable Property

*Pay **both** school operations and debt service property taxes.*

- taxable market value of the property,
- assessment ratio, and
- millage rates.

The county determines the taxable market value of each property. The state sets the assessment ratio for

each type of property. The property's assessed value equals the taxable market value multiplied by the assessment ratio.

Local governments such as cities, counties, school districts and special purpose districts set their individual millage rates. A property owner's total

property tax bill is made up of taxes for each of these government entities.

One mill is equal to \$1 of tax for every \$1,000 of assessed value. To calculate the property tax owed multiply the assessed value by the number of mills then divide by one thousand.

### Example: School Taxes for an Owner-Occupied Home Versus a Vehicle

Owner-occupied home valued for tax purposes at \$150,000	
Taxable market value	\$150,000
Assessment ratio	4%
Assessed value	\$6,000 (4% of \$150,000)
School operations millage	0
School construction millage	50 mills
Tax owed	\$300 (\$6,000 x 50/1000)

Vehicle valued for tax purposes at \$15,000	
Taxable market value	\$15,000
Assessment ratio	6%
Assessed value	\$900 (6% of \$15,000)
School operations millage	100 mills
School construction millage	50 mills
Tax owed	\$135 (\$900 x 150/1000)

### Primary Residence Property Tax Bill in Greenville County

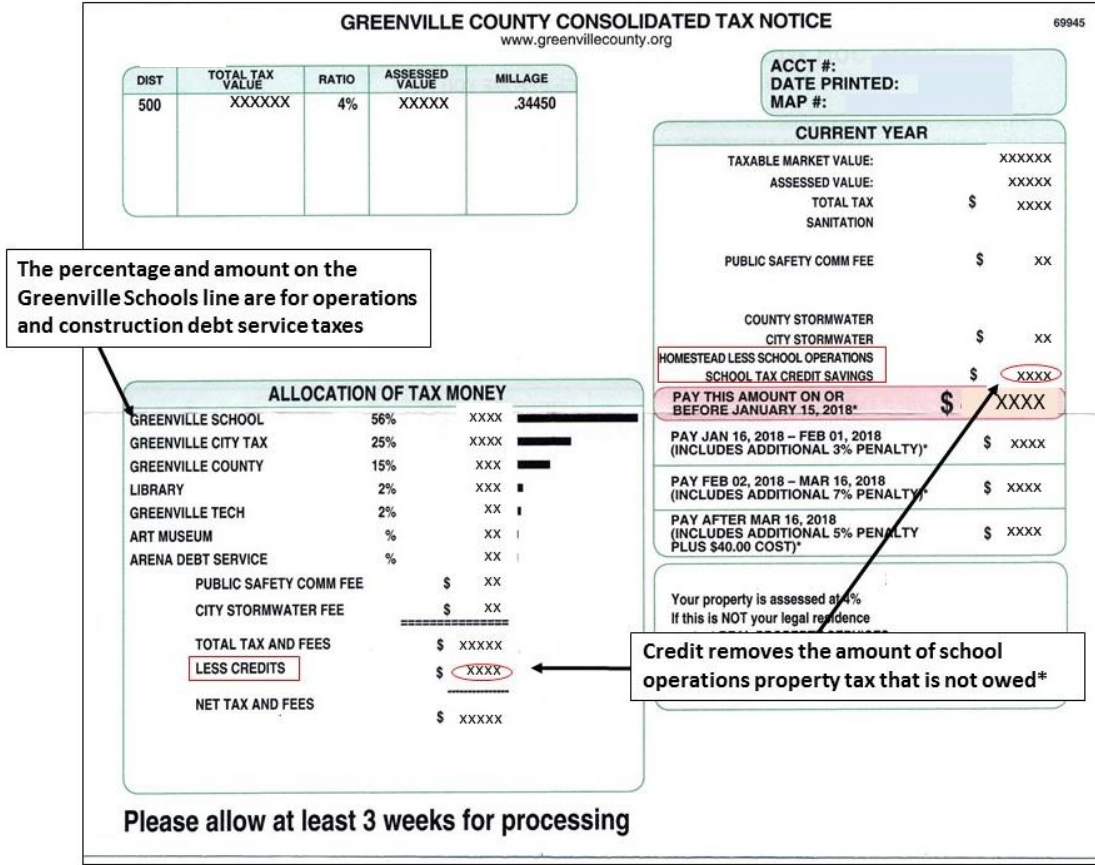
As stated above, owner-occupied residential properties (primary residences) in South Carolina are not assessed property taxes for school operations. The only school property taxes that are assessed are for school construction debt service.

As shown in Figure 1, the Greenville County property tax bill for owner-occupied homes does not make clear that taxes are not owed for school operations. On the "Greenville School" tax line, the percent of total taxes and the amount of tax shown going to the school district includes taxes for both construction debt service and operations. The operations amount is taken out as a credit at the bottom of the list of taxes and in the right-hand column of numbers.

The amount of a homeowner's property taxes going to Greenville County Schools and the percentage of the total tax bill going to the school district are misleading; both are shown to be much larger than they actually are.

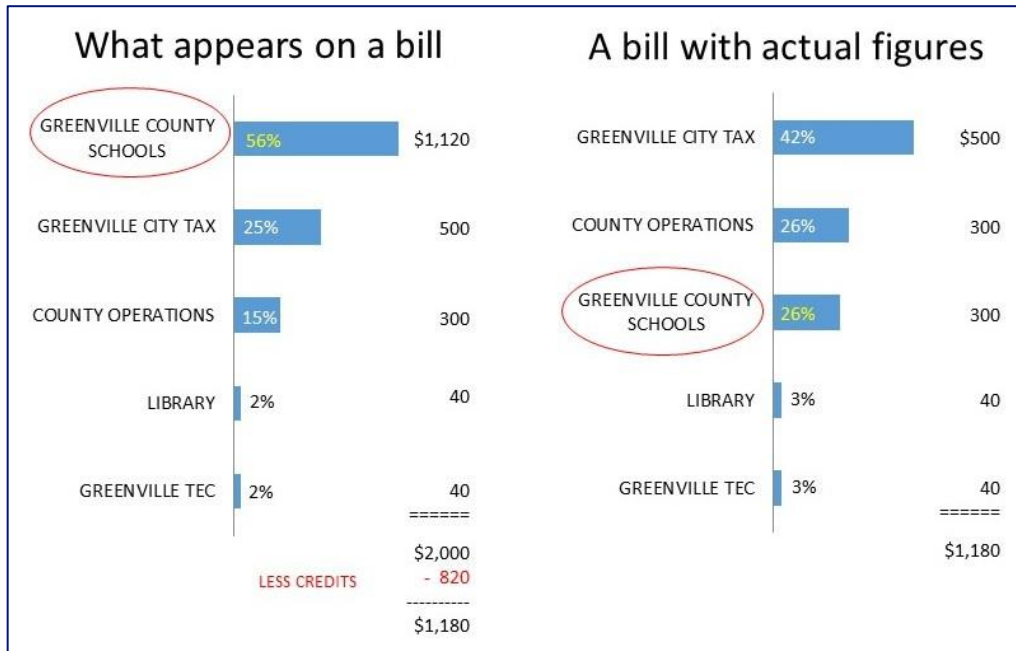
The difference between what is shown on a property tax bill for a primary residence and what is actually owed is shown in Figure 2. The percentages and amounts that would appear on an actual tax bill are on the left. The correct percentages and amounts actually owed for each taxing entity are shown on the right. Note that the school district is no longer the entity with the largest tax bill.

**Figure 1: Greenville County Property Tax Bill**



\*Those 65 or older, disabled or blind receive an additional credit for all property taxes on the first \$50,000 of market value of their residence.

**Figure 2: Greenville County Property Tax Bill**



## Reassessment

State law requires each county to reassess all real property every five years. Once completed, millage rates for each taxing entity (county, city, school district, etc.) are adjusted such that the revenue generated by each property tax remains the same. This applies to both school district operations and construction debt service property taxes. The last reassessment in Greenville County was in 2015. The next one has been delayed until 2021.

## Greenville County Schools Property Tax Millage

Below are the Greenville County Schools millage rates for school operations, construction debt service and for total school property taxes. In 2019 (the last year state-wide data is available) Greenville County Schools' operations millage rate of 150.8 mills ranked 19<sup>th</sup> lowest out of 79 school districts. For construction debt service, it ranked 50<sup>th</sup>. For total school millage, it ranked 23<sup>rd</sup> lowest.

### Greenville County Schools Property Tax Millage

As of Dec. 31, 2011 - 2020

Millage Type	2011	2012	2013	2014	RR*	2015	2016	2017	2018	2019	2020
Operating Millage	120.0	126.1	130.0	134.9	132.9	137.4	137.4	139.7	144.8	150.8	150.8
Change	4.7	6.1	3.9	4.9	-2.0	4.5	0	2.3	5.1	6.0	0
Debt Service Millage	42.5	42.5	47.5	47.5	47.5	47.5	47.5	52.1	52.1	52.1	52.1
Change	0	0	5.0	0	0	0	0	4.6	0	0	0
Total School Millage	162.5	168.6	177.5	182.4	180.4	184.9	184.9	191.8	196.9	202.9	202.9
Change	4.7	6.1	8.9	4.9	-2.0	4.5	0	6.9	5.1	6.0	0

Notes: \*RR = Reassessment millage rollback. Reassessment in 2015. Sources: Greenville County Schools General Fund Budgets. "Comprehensive Annual Financial Report," Greenville County Schools. (online: [https://www.greenville.k12.sc.us/Departments/main.asp?titleid=fin\\_cafr](https://www.greenville.k12.sc.us/Departments/main.asp?titleid=fin_cafr)). "Assessed Valuation and Millage Rates," SC Dept. of Education. (online: <http://ed.sc.gov/finance/financial-data/historical-data/assessed-valuation-and-millage-rates/>)

## Maximum Millage Rate Increase for School Operations

The maximum annual millage increase that can be implemented by a school district is set by the state. It is determined by the annual allowable millage increase and the allowable millage increases not used in the three preceding years. Here is how the maximum annual millage increase is computed:

### 1. Annual millage increase =

(Percent increase in county population

+ percent increase in inflation) *(both for the last calendar year)*

x Current millage rate

### 2. The maximum allowable millage increase =

Annual millage increase

+ allowable millage increases not used in the three preceding years

## Example: Maximum Millage Rate Increase Calculation

Percent increase in county population of 1% + percent increase in inflation of 2% = 3%

Annual millage increase = current millage of 120 mills x 3% = 3.6 mills

Allowable millage increases not used in three preceding years: 4.7 mills

Maximum allowable millage increase for that year = 3.6 + 4.7 = 8.3 mills

## Maximum Millage for School Construction Debt Service

There is no limitation on school district debt service millage. However, the South Carolina constitution limits the amount of debt a school district in the state can have at any one time. School district indebtedness cannot exceed 8% of the assessed value of the taxable property in the district. Construction debt service millage is set to the level needed to service the amount of debt.

## Fee in Lieu of Taxes (FILOT)

In locating a major business or industrial employer in Greenville County, the company and county government may agree that, for this property, the company will pay an annual fee for a set number of years instead of paying property taxes for these years. This is a commonly used economic development incentive known as a "fee in lieu of taxes" or FILOT. The school district receives a portion of these fees for both operations and debt service based on the school district's tax millage as a percentage of total county tax millage. For FILOTs in other jurisdictions, such as cities, the portion going to the school district is not set and has to be negotiated.