

Tom Young

From: Gary and Michele Bunker [gmbunker@bellsouth.net]
Sent: Sunday, August 21, 2011 8:29 PM
To: Gary & Michele Bunker
Subject: County Matters: 10 Questions Regarding Reassessment

Property Tax Re-Assessment: 10 Frequently Asked Questions

Property tax reassessments are designed to *redistribute* the property tax burden, not *increase* it. Increases in county taxes after the reassessment - not including new additions to the tax rolls - are due to positive actions by the governing bodies (county, school board, and/or municipalities) to raise taxes.

In late July approximately 101,000 reassessment notices were mailed to property owners in Aiken County with the re-assessed "Taxable Values" and "Market Values." These notices created considerable controversy due to many re-assessed values increasing between 2005 and 2010 in what is widely perceived to be a depressed real estate market.

At two meetings held last Tuesday night (the Aiken County Council Administrative Committee and the Aiken County Council Work Session), overflow crowds listened to discussions on the matter. Questions were raised regarding both the re-assessment process and the reasonableness of the current re-assessment. The County Council (many members of which are unhappy with their own re-assessments!) is reviewing the matter with county staff.

Because so many questions have been raised and because the process is complicated, I offer below 10 questions and answers regarding re-assessments. If you have additional questions, please don't hesitate to ask and I will address them the best I can.

Q1: What is the purpose of re-assessment?

A1: The purpose of the re-assessment is to equitably revalue properties in Aiken County for tax purposes. Note that the tax bill that property owners will eventually receive is based on the "taxable" value and not the "market" value on the notice. The taxable value is modified by the 15% cap passed in 2006.

Q2: How often do re-assessments occur?

A2: Every five years. The last reassessment was completed in 2005 and implemented in 2007. During the five year period between 2005 and 2010, Aiken County saw both a run up in property values during the first couple years followed by significant drop-offs from the peak values.

Q3: What is the legal basis for re-assessment?

A3: Property reassessments are governed by state law and are uniform across South Carolina's 46 counties. SC Code 12-43-217 governs the process while 12-37-930 describes fair market value. The methods used to arrive at fair market value are described in the "Uniform Standards of Professional Appraisal Practice." SC Code 12-37-3110 thru 3170 describes the provisions of the 15% re-assessment cap.

Property re-assessments must take into account several factors:

These values are derived utilizing field inspections, reviews of property plats and permits, and records of recent sales.

Properties are divided into 4%, 6%, and 10.5% assessment ratios based on function. Owner occupied homes are 4% properties; businesses, second homes, and rentals are 6% properties; and manufacturing properties are 10.5% properties.

Q4: Does the county receive a windfall from higher property assessments?

A4: The county can increase revenue from re-assessments by no more than 1%. Even if all properties increased by, say, 10% on average, revenues can only grow by this 1% maximum amount. Any increase higher than this would be due not to the re-assessment but by an action of council to increase taxes.

Q5: What is rollback?

A5: After the reassessment is complete, the property tax rates must be rolled back such that the overall revenue generated for the county is neutral ... or grows no more than the 1% discussed above. If the Aiken County Council raises the millage rate above the rolled back rate, then this will be a tax increase – even if it is raised back to the level it was prior to the reassessment.

The millage rate for Aiken County is currently 74.7 mils. If we assume *hypothetically* that the value of property increased 10% across the board in Aiken County over the last five years, then in order to be revenue neutral the millage rate will be rolled back from 74.7 mils to approximately 67.9 mils.

Of course there are individual “winners” and “losers” in this process. A property whose value increased greater than the county average would pay more in property tax, even with the rollback, than one that increased less than the county average, didn’t increase at all, or actually dropped in value.

For example, assume that two homes are currently assessed at \$100,000, are owner occupied 4% properties, and are both paying \$299 to the county based on 74.7 mils. Now assume that after the reassessment House A is valued at \$105,000 and House B is valued at \$115,000. Also assume that the millage rate has been rolled back to 67.9 mils. House A will now pay \$285 in property taxes to the county while House B will now pay \$312 in property taxes. The total tax paid by the two homes, however, remains the same.

What would be the impact if the County Council hiked property taxes back up to the pre-reassessment rate of 74.7 mils? House A would pay \$314 and House B would pay \$344 in property taxes. This demonstrates why the rollback is so important – and why maintaining the current millage rate would be a *real* tax increase.

Note that the 2011-2012 Aiken County budget passed in June assumed 74.7 mils based on the *old* property valuations. When council passes the new millage rates this fall the rate is expected to fall due to rollback.

Q6: What is the impact of the 15% assessment cap?

A6: The 15% cap approved by the voters in 2006 only limits the increase in the taxable value on individual parcels to 15% at every re-assessment. The real impact of the cap, therefore, is to redistribute the property tax burden away from properties that greatly increased in value at the expense of those that did not. Or to put it another way, it protects property owners from unrealized gains in value.

Another example will illustrate this point. Assume a small hypothetical county with only two houses in it – A and B. Prior to reassessment both had values of \$100,000 and both paid \$400 in taxes assuming 100 mils for a total of \$800 of revenue for the county. After the reassessment, A was valued at \$100,000 and B increased to

\$200,000. Therefore, assuming rollback to 66.7 mils and no tax increase, A will now pay \$267 in property taxes and B will pay \$533.

But wait! With the 15% cap, B is only taxed on the capped value of \$115,000. In the two-house county example, A will now pay \$372 in tax and B will pay \$428. We can see that there's no net change to the county coffers – revenue remains \$800 in either case. Instead, the impact of the cap is that the house with a rapidly increasing property value paid less in taxes than they would have without the cap and the house with no increase in value paid more in taxes (though still less than prior to the reassessment).

Q7: What are the current millage rates in Aiken County?

A7: The 2010 (pre-reassessment and pre-rollback) Aiken County millage rate is 74.7 mils. The school board is 161.0 mils (though 4% properties don't pay the operational portion of this). The various municipalities vary ... Aiken is 66.0 mils, North Augusta is 77.2, Jackson is 56.0, etc.

Q8: How does this compare to other counties across the state?

A8: Generally speaking, the more well off counties have lower rates (particularly those with high tourism) while the poorer counties have higher rates since low valued properties tend to generate little revenue.

In 2010, the highest millage rates were 280.4 in Chester County and 216.0 in Allendale County. The lowest rates were 47.3 in Horry County and 47.9 in Beaufort County. Aiken County at 74.7 mils was the 13th lowest of the 46 counties in South Carolina.

Direct comparisons remain difficult, however, since property values also differ by county. What would be the value of a \$200,000 home in Aiken County if it was instead located in Allendale County? Or in Horry County? Or even within Horry, Conway vs. Myrtle Beach?

Q9: What are the pros and cons of property taxes?

A9: Property taxes are a stable source of revenue for local government. Except in severe circumstances – such as we're in today – property values tend to rise. If for no other reason, as the population grows, the amount of land stays fixed. Due to both the 5-year intervals between re-assessments and the 15% cap, however, assessed values tend to lag the real estate market in both directions. When other forms of revenue oscillate due to economic booms and busts, the property tax continues to chug along.

Property taxes do have three serious flaws. First, no matter how well trained the appraisers are, how accurate the data they have to work with, or refined their methodologies may be, there will always be an arbitrary element to the assessments. Two individual appraisers ought to be able to assess properties in a similar manner and come up with similar estimates. Nevertheless, there will be variances over which honest people can and do disagree.

Second, with property taxes homeowners never own their property totally free and clear. In essence, "owners" will always be paying "rent" for the "privilege" of owning their homes. Even if property is economically unproductive, revenues must still be had from other sources in order to pay the annual bill.

Third, property taxes can have little or no relation to the ability to pay. We've all heard the expression "land rich and cash poor" and it's a reality in some parts of the county. Income and consumption taxes, on the other hand, have a greater inherent connection to the ability to pay.

Q10: What if I disagree with the values on my re-assessment notice?

A10: Please refer to the instructions at the bottom of the “Notice of Classification Appraisal & Assessment Real Estate 2011 Tax Year” form you received a couple of weeks ago. The instructions for filing an appeal are simple. If you have questions, you can call the Office of the Assessor at 803-642-1583. Resources are also available to the public at the Office of the Assessor to look at sales, meet with the assessor who reviewed your property, etc. Additional information is also available at:

<http://www.aikencountysc.gov/Reference/2010%20REASSESSMENT%20GUIDE.pdf>

If you are unhappy with your appeal, these can be elevated to the Aiken County Tax Appeals Board. Ultimately, they can be settled in court.

The Aiken County Council is also planning another public meeting to both discuss the process and allow the public to meet with members of the Office of the Assessor to discuss specific issues. I will forward more information regarding this meeting once it’s available.

Sincerely,

Gary Bunker
Aiken County Council
District 7

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