

## South Carolina Manufacturers May Be Eligible for Property Tax Savings

By: Jack Schmoll, CPA

Many South Carolina manufacturers have until July 1, 2010 to take advantage of significant property tax savings. The potential savings are the result of the state amending the assessment ratio for certain real property from 10.5 percent to 6 percent.

In the past, the 10.5 percent property tax ratio applied to warehouse and distribution facilities that were on the same site as manufacturing facilities. However, if the warehouse and wholesale distribution facilities were located at separate locations, the warehouse and wholesale distribution facilities qualified for a 6 percent ratio.

The ratio change results from Senate Bill 1171, Section 2.J (Act No. 313), which was passed in 2008 and effective for the 2009 reassessment and forward. It allows warehouse and wholesale distribution facilities on the same site as the manufacturing facility to qualify for the 6 percent ratio so long as the facilities meet specific requirements. This amendment applies to property owned or leased by a manufacturer used exclusively for warehousing and wholesale distribution regardless of location.

The 6 percent ratio is a permanent reduction, and the savings can be substantial. For example, if a taxpayer currently pays \$60,000 a year on its warehousing and wholesale distribution facilities, it would save \$25,000 in 2011 alone. In five years, the savings would be \$125,000.

The guidelines for qualifying property are very specific, and compliance will be closely scrutinized by the South Carolina Department of Revenue. An experienced tax professional can determine if a particular property is a good candidate for the reduced ratio and assist in filing the necessary application. It is unclear whether taxpayers will be allowed to remedy issues or whether the 10.5 percent assessment ratio will simply be asserted. That's why it is preferable for the site be in compliance prior to the county assessor's inspection.

The most important aspect of qualifying for the exemption is to apply on time. Taxpayers are only allowed to "lock in" the new assessment ratio on the year of their countywide reassessment, which means manufacturers in some South Carolina counties will need to apply by July 1, 2010. Countywide reassessments occur every five years, unless delayed one year as allowed by statute. Because of this, if a taxpayer misses the opportunity to qualify, the higher rate will apply for the next five years. Using the example from above, failing to file on time or successfully qualify for the reduced ratio could cost a company \$125,000.

Even if a taxpayer's county is not due for a reassessment for several years, the earlier the taxpayer starts to prepare for reassessment, the better. It is advisable to consult with a tax professional to determine if a space will qualify and, if not, what changes are necessary. Additionally, an experienced professional can offer advice regarding any prospective changes and the impact they would have on qualification.

This is a great opportunity for South Carolina manufacturers to reduce their assessment ratios. However, given the amount of money at stake, the pending deadline and the qualification guidelines, swift attention is critical.



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