

2019 Beaufort County Property Tax Update

January 2020

This article is an update on a little known tax exemption (“6% Exemption”) applicable to properties currently taxed at the 6% tax rate, subject to the limitations discussed below. Applications for this exemption must be submitted to Beaufort County no later than January 30, 2020. There are unique characteristics to every property so this update is not intended nor does it operate as a substitute for legal advice.

What is the 6% Exemption?

If you currently use property acquired in 2019 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 to you. But you must apply by January 30, 2020 to qualify.

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 2019 and tax them at their purchase price for 2020 forward. This exemption provides that such properties shall be taxed at either the 2019 taxable value or the purchase price less 25% (whichever is greater is used for the 2020 tax bill).

Does this 6% Exemption apply to my 2019 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 2020 tax year. If you are unsure of how the property was used prior to your purchase, a quick review of the prior tax year liability should provide the answer. Your realtor or attorney can help navigate this requirement.

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

Detailed below is an example to demonstrate the potential opportunity for savings in 2020. Keep in mind that this is an example and only an estimate. 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 purchased a second home on Hilton Head Island for \$500,000 in 2019. In 2019, the property was taxed using the market value of \$350,000 and the resulting tax bill was around \$5,000. You, the new purchaser in 2019 who paid \$500,000, is likely to get a tax bill in 2020 based on the \$500,000 market valuation. This will result in a tax bill of roughly \$7,100, a substantial increase from the previous year. In order to mitigate this increase, the purchaser can apply for the 6% Exemption. When the County receives your application and runs the numbers, it will look something like this:

- 1) ATI Market Value (in other words, purchase price): \$500,000.
- 2) Market valuation on the 2019 property tax bill: \$350,000.
- 3) 25% reduction (the Exemption): \$375,000.
- 4) Taxable value (The greater of either the 2019 Market valuation (number 2 above) or 25% reduction (number 3 above)): In this case, the County will use \$375,000.
- 5) Tax due for 2020 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 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 [here](#). From their homepage, 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, 2020.

Can someone else file this for me?

Yes! Your realtor can likely guide you through the process but is not authorized to act directly with Beaufort County. You can appoint an attorney to interact on your behalf with Beaufort County via Beaufort County's power of attorney form.

For anyone who purchased a property in 2019 that meets the criteria of the 6% exemption, making sure to file the application can result in substantial savings on your 2020 tax bill. Make sure to act quickly – the deadline to submit your application is January 30, 2020!

Questions, please contact:

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