

COUNTY COUNCIL OF BEAUFORT COUNTY
 ADMINISTRATION BUILDING
 BEAUFORT COUNTY GOVERNMENT ROBERT SMALLS COMPLEX
 100 RIBAUT ROAD
 POST OFFICE DRAWER 1228
 BEAUFORT, SOUTH CAROLINA 29901-1228
 TELEPHONE: (843) 255-2180
www.beaufortcountysc.gov

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AGENDA
 COUNTY COUNCIL OF BEAUFORT COUNTY
 WORK SESSION

Thursday, June 27, 2019

10:00 a.m.

Council Chambers, Administration Building
 Beaufort County Government Robert Smalls Complex
 100 Ribaut Road, Beaufort

1. **CALL TO ORDER** – 10:00 A.M.
2. **PLEDGE OF ALLEGIANCE AND INVOCATION** – Chairman Stu Rodman
3. **INTRODUCTIONS**
4. **APPROVAL OF AGENDA**
5. **PRESENTATION**
 - A. Millage Setting Presentation by the South Carolina Department of Revenue and discussions relevant to the same
6. **ADJOURNMENT**



ADD-ONS

The document(s) herein were provided to Council for information and/or discussion after release of the official agenda and backup items.



Beaufort County Millage Setting

SOUTH CAROLINA DEPARTMENT OF REVENUE
GOVERNMENT SERVICES DIVISION

JUNE 27, 2019

Calculation of Rollback Millage

In a reassessment year, millage is calculated differently from a “normal” budget year. In the year that reassessment is implemented, the millage calculation should be a “rollback millage” to reset the millage rate.

SECTION 12-37-251. Calculation of rollback millage; equivalent millage.

(E) Rollback millage is calculated by dividing the prior year property taxes levied as adjusted by abatements and additions by the adjusted total assessed value applicable in the year the values derived from a countywide equalization and reassessment program are implemented. This amount of assessed value must be adjusted by deducting assessments added for property or improvements not previously taxed, for new construction, for renovation of existing structures, and assessments attributable to increases in value due to an assessable transfer of interest.

(F) RESERVED

(G) If the boundaries of a municipality extend into more than one county and those counties implement the countywide appraisal and equalization programs required pursuant to Section 12-43-217 on different schedules, then the governing body of the municipality shall set an equivalent millage to be used to compute municipal ad valorem property taxes. The equivalent millage to be set by the municipal governing body must be determined by methodology established by the respective county auditors which must be consistent with the methodology for calculating equivalent millage to be established by the Department of Revenue for use in these situations for the purpose of equalizing the municipal property tax on real property situated in different counties.

FORMULA based on statutory language in SC Code § 12-37-251:

$$\frac{\text{Prior year taxes levied (adjusted for abatements and additions)}}{\text{Adjusted total assessed value}}$$

Adjustments to Prior Year Taxes Levied:

- Add for additions (real and personal property) and subtract for abatements

Adjustments to new total assessed value as a result of reassessment:

- Subtract assessments for property or improvements not previously taxed
- Subtract assessments for new construction
- Subtract assessments for renovation of existing structures
- Subtract assessments attributable to an assessable transfer of interest

Current Statutes Limiting Millage

SECTION 6-1-320. Millage rate increase limitation; exceptions.

(A)(1) Notwithstanding Section 12-37-251(E), a local governing body may increase the millage rate imposed for general operating purposes above the rate imposed for such purposes for the preceding tax year only to the extent of the increase in the average of the twelve monthly consumer price indices for the most recent twelve-month period consisting of January through December of the preceding calendar year, plus, beginning in 2007, the percentage increase in the previous year in the population of the entity as determined by the Revenue and Fiscal Affairs Office. If the average of the twelve monthly consumer price indices experiences a negative percentage, the average is deemed to be zero. If an entity experiences a reduction in population, the percentage change in population is deemed to be zero. However, in the year in which a reassessment program is implemented, the rollback millage, as calculated pursuant to Section 12-37-251(E), must be used in lieu of the previous year's millage rate.

(2) There may be added to the operating millage increase allowed pursuant to item (1) of this subsection any such increase, allowed but not previously imposed, for the three property tax years preceding the year to which the current limit applies.

(B) Notwithstanding the limitation upon millage rate increases contained in subsection (A), the millage rate limitation may be suspended and the millage rate may be increased upon a two-thirds vote of the membership of the local governing body for the following purposes:

(1) the deficiency of the preceding year;

(2) any catastrophic event outside the control of the governing body such as a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;

(3) compliance with a court order or decree;

(4) taxpayer closure due to circumstances outside the control of the governing body that decreases by ten percent or more the amount of revenue payable to the taxing jurisdiction in the preceding year; or

- (5) compliance with a regulation promulgated or statute enacted by the federal or state government after the ratification date of this section for which an appropriation or a method for obtaining an appropriation is not provided by the federal or state government.
- (6) purchase by the local governing body of undeveloped real property or of the residential development rights in undeveloped real property near an operating United States military base which property has been identified as suitable for residential development but which residential development would constitute undesirable residential encroachment upon the United States military base as determined by the local governing body. The local governing body shall enact an ordinance authorizing such purchase and the ordinance must state the nature and extent of the potential residential encroachment, how the purchased property or development rights would be used and specifically how and why this use would be beneficial to the United States military base, and what the impact would be to the United States military base if such purchase were not made. Millage rate increases for the purpose of such purchase must be separately stated on each tax bill and must specify the property, or the development rights to be purchased, the amount to be collected for such purchase, and the length of time that the millage rate increase will be in effect. The millage rate increase must reasonably relate to the purchase price and must be rescinded five years after it was placed in effect or when the amount specified to be collected is collected, whichever occurs first. The millage rate increase for such purchase may not be reinstated unless approved by a majority of the qualified voters of the governmental entity voting in a referendum. The cost of holding the referendum must be paid from the taxes collected due to the increased millage rate; or
- (7) to purchase capital equipment and make expenditures related to the installation, operation, and purchase of the capital equipment including, but not limited to, taxes, duty, transportation, delivery, and transit insurance, in a county having a population of less than one hundred thousand persons and having at least forty thousand acres of state or national forest land. For purposes of this section, "capital equipment" means an article of nonexpendable, tangible, personal property, to include communication software when purchased with a computer, having a useful life of more than one year and an acquisition cost of fifty thousand dollars or more for each unit.

If a tax is levied to pay for items (1) through (5) above, then the amount of tax for each taxpayer must be listed on the tax statement as a separate surcharge, for each aforementioned applicable item, and not be included with a general millage increase. Each separate surcharge must have an explanation of the reason for the surcharge. The surcharge must be continued only for the years necessary to pay for the deficiency, for the catastrophic event, or for compliance with the court order or decree.

(C) The millage increase permitted by subsection (B) is in addition to the increases from the previous year permitted pursuant to subsection (A) and shall be an additional millage levy above that permitted by subsection (A). The millage limitation provisions of this section do not apply to revenues, fees, or grants not derived from ad valorem property tax millage or to the receipt or expenditures of state funds.

(D) The restriction contained in this section does not affect millage that is levied to pay bonded indebtedness or payments for real property purchased using a lease-purchase agreement or used to maintain a reserve account. Nothing in this section prohibits the use of energy-saving performance contracts as provided in Section 48-52-670.

(E) Notwithstanding any provision contained in this article, this article does not and may not be construed to amend or to repeal the rights of a legislative delegation to set or restrict school district millage, and this article does not and may not be construed to amend or to repeal any caps on school millage provided by current law or statute or limitation on the fiscal autonomy of a school district that are more restrictive than the limit provided pursuant to subsection (A) of this section.

(F) The restriction contained in this section does not affect millage imposed to pay bonded indebtedness or operating expenses of a special tax district established pursuant to Section 4-9-30(5), but the special tax district is subject to the millage rate limitations in Section 4-9-30(5).

(G)(1) Notwithstanding the limitation upon millage rate increases contained in subsection (A), a fire district's governing body may adopt an ordinance or resolution requesting the governing body of the county to conduct a referendum to suspend the millage rate limitation for general operating purposes of the fire district. If the governing body of the county agrees to hold the referendum and subject to the results of the referendum, the millage rate limitation may be suspended and the millage rate may be increased for general operating purposes of the fire district. The referendum must be held at the time of the general election, and upon a majority of the qualified voters within the fire district voting favorably in the referendum, the millage rate may be

increased in the next fiscal year. The referendum must include the amount of the millage increase. The actual millage levy may not exceed the millage increase specified in the referendum.

(2) This subsection only applies to a fire district that existed on January 1, 2014, and serves less than seven hundred homes.

(H) Notwithstanding the limitation upon millage rate increases contained in subsection (A), the governing body of a county may adopt an ordinance, subject to a referendum, to suspend the millage rate limitation for the purpose of imposing up to six-tenths of a mill for mental health. The referendum must be held at the time of the general election, and upon a majority of the qualified voters within the county voting favorably in the referendum, this special millage may be imposed in the next fiscal year. The state election laws apply to the referendum *mutatis mutandis*. This special millage may be removed only upon a majority vote of the local governing body. The amounts collected from the increased millage:

- (1) must be deposited into a mental health services fund separate and distinct from the county general fund and all other county funds;
- (2) must be dedicated only to expenditures for mental health services in the county; and
- (3) must not be used to supplant existing funds for mental health programs in the county.

Checklist for Millage Calculation

1. Start with beginning millage. Use last year's millage for normal cycle or use the calculated rollback millage in the year of implementation following reassessment.
2. Add the allowance for CPI.
3. Add the allowance for population growth.
4. If additional millage is needed, add any millage allowed but not previously imposed from the 3 property tax years preceding the year that I am working on.
5. If there is a need for millage for the 7 items listed in S.C. Code Ann. § 6-1-320(B), the rate may be increased for any of these 7 items with a 2/3 vote of the local governing body.
6. If the millage is increased for items 1 thru 5 as listed in § 6-1-320(B), the amount of additional tax must be listed on the tax bill as a separate surcharge for each item along with an explanation of the reason for the additional surcharge. The surcharge continues only for the years necessary to pay for the deficiency, the catastrophic event, or compliance with a court order.
7. The restrictions listed in § 6-1-320(D) do not affect millage levied to pay for bonded indebtedness, payments for lease-purchase, or millage levied to maintain a reserve account. Nothing in § 6-1-320 prohibits the use of energy-saving performance contracts as provided in § 48-52-670.
8. Section 6-1-320(E) does not amend or repeal the rights of a legislative delegation to set or restrict school district millage nor does it amend or repeal any caps on school millage that may be more restrictive.
9. Section 6-1-320(F) does not place a restriction on a special tax district established per Section 4-9-30 for either bonded indebtedness or operating expenses but the special tax district is subject to the millage limitations as provided in Section 4-9-30(5).

10. Section 6-1-320(G)(1) & (2) states a fire district's governing body may adopt an ordinance requesting the governing body of the county to hold a referendum to suspend the millage rate limitation for general operating purposes and if approved the millage rate may be increased to the limit as listed on the referendum. This exception only applies to a fire district that existed on January 1, 2014 and serves less than seven hundred homes.
11. Section 6-1-320(H) states a county governing body may adopt an ordinance subject to a referendum to suspend the limits on millage and increase millage up to .6 mills for mental health. The increased collections are to be used for only the items listed under 6-1-320(H)(1)(2)(3).

Note: The office of Revenue and Fiscal Affairs publishes the CPI and Growth factors for all counties, municipalities, and school districts each year.

See: <http://rfa.sc.gov/econ/millage>

What are my Assessments?

The assessments should be a compilation of all taxable property in the taxing jurisdiction. Efforts should be made to remove all new property not previously taxed, any new assessments for renovations and new construction, and any increases in assessments attributable to ATI's. Any items identified as new assessments should be removed from the assessments and "set aside." Once your millage has been set these "new" assessments will generate additional taxes that can be used by the taxing jurisdiction.

- 1) Real property assessed by the county
 - a) Owner-occupied residential (include mobile homes)
Note: For school district operating millage purposes the assessments for owner-occupied residential property should not be included (See § 12-37-220(B)(47)).
 - b) Use value of all agricultural property (4% and 6%)
 - c) All other real property (commercial, second homes and non-owner-occupied residential mobile homes)

- 2) Personal property assessed by the county
 - a) Motor vehicles
 - b) Watercraft and motors
 - c) Aircraft
 - d) All other personal property

- 3) All property assessed by the Department of Revenue
Note: Do not include any fee-in-lieu, joint industrial park, manufacturers' reimbursement, business personal property lock-in, or motor carriers.
 - a) Manufacturing (real and personal)
 - b) Utility and railroad
 - c) Business Personal Property

Thoughts, Observations, and Other Items for Consideration

1. You are working with estimates in many cases; use historical information and your systems to make your estimates. Remember to use the property tax values when estimating your assessments (taxable value).
2. New Property: Always take the time to segregate out any new property from the assessment base, as this will provide additional revenue for the taxing jurisdiction. Don't forget to request from the assessor assessments for new construction and assessments attributable to assessable transfers of interest (ATIs). New property can also be found in the manufacturing accounts for machinery and equipment. Another source of new property to consider is new vehicles in the taxing jurisdiction. Historical information can be helpful for trends in new property.
3. What happens to the assessment base generally over time?
 - Owner occupied normally has increased, with the exception of the real estate bubble implosion (any property tax value increased is capped at 15%)
 - Agricultural use values do not change
 - All other real property normally increases with the same exception as owner occupied with the last recession (capped at 15%)
 - Business personal property decreases because of depreciation of personal property (10-20%) and the new safe harbor provisions
 - Motor vehicles decrease at least 5% per year because of the requirement in the statute to reduce last year's value
 - Manufacturing property (machinery and equipment) generally declines because of depreciation (on average 10-12%)
 - The majority of the other assessment bases remain fairly stable
4. The Auditor is NOT the responsible party for the calculation of operating millage, HOWEVER the county governing body will rely on you for assistance.
5. Always request a certification of millage rates from each taxing jurisdiction per S.C. Code Ann. § 12-43-285. See page 12 of handout.

6. How should I handle the Fee in Lieu, Motor Carrier, and Inventory Lock-In payments received from the state? For school operating purposes how are the Tier I, II, III, and “bump” payments accounted for?
- The Fee, Motor Carrier, and Inventory are payments to the county from the state and are not related to the assessments or millage we are trying to establish. These items are used to support the budget of the taxing jurisdiction. Generally, these payments need to be removed from the budget which then leaves a budget to be funded from taxable property. The same can be said for the school operating calculation; the Tier payments including the “bump,” are used to support the school district’s budget, and these payments should be subtracted from the budget needs of the school.
7. Calculate your operating millage allowance every year, even if you do not use it. You may go back and pick up the previous 3 years under Section 6-1-320 (A)(2). It is best to pick up the oldest year first.
8. Bonded indebtedness: The restrictions in § 6-1-320 do not apply to bonded indebtedness or to maintain a reserve account. You should verify whether any special tax districts may have a referendum that applies a cap to their millage. Each taxing entity should notify the Auditor of any bonded indebtedness, and then the Auditor sets sufficient millage to cover bond payments.
9. I have calculated my “rollback millage” and the result is an increase in millage instead of a lower millage. What have I done wrong?

Until the real estate downturn, when counties went through reassessment, the calculation of millage after completion of the program was a millage that was less because of the increases in the values for most classes of property. With the real estate “bubble burst,” some counties have now reassessed and have seen a decrease in the total value of all taxable property. The calculation formula for “rollback millage” remains the same, and if the taxing jurisdiction has realized a decrease in property values, the calculation ends up being a “roll-forward millage.” See S.C. Op. Atty Gen. (June 28, 2011) 2011 WL 2648717.

SECTION 12-43-285. Certification of millage rates; excessive rates.

(A) The governing body of a political subdivision on whose behalf a property tax is billed by the county auditor shall certify in writing to the county auditor that the millage rate levied is in compliance with laws limiting the millage rate imposed by that political subdivision.

(B) If a millage rate is in excess of that authorized by law, the county treasurer shall either issue refunds or transfer the total amount in excess of that authorized by law, upon collection, to a separate, segregated fund, which must be credited to taxpayers in the following year as instructed by the governing body of the political subdivision on whose behalf the millage was levied. An entity submitting a millage rate in excess of that authorized by law shall pay the costs of implementing this subsection or a pro rata share of the costs if more than one entity submits an excessive millage rate.

See AG Opinion on excessive millage: 03/29/2019 to Andrea White.

Rounding of Millage:

SECTION 12-39-170. Rate of taxation shall be a decimal fraction, and not less than one tenth of a mill.

The county auditors shall not be required to assess on the taxable property of their counties or of any town, city or incorporated village or school district therein, for any purpose, nor for all purposes added together, any rate of taxation containing or resulting in any fraction other than a decimal fraction, nor in any fraction less than one-tenth of a mill; but if the sum required to be raised for any or all purposes results in a fraction less than one-tenth of a mill such fraction shall be dropped.

County Operating Millage Examples

NEW BASE			
<u>Property Type</u>	<u>Assessed Values</u>	<u>New Property (Growth)</u>	<u>Total</u>
Legal Residence	17,000,000.00	300,000.00	17,300,000.00
All Other (6%)	13,200,000.00	396,000.00	13,596,000.00
Ag Use (4% and 6%)	2,000,000.00		2,000,000.00
Watercraft & Aircraft	50,000.00		50,000.00
Business Personal Property (County and DOR)	8,900,000.00		8,900,000.00
Manufacturing	11,900,000.00	200,000.00	12,100,000.00
Utilities	7,900,000.00		7,900,000.00
Vehicles	8,000,000.00	400,000.00	8,400,000.00
<u>Totals:</u>	68,950,000.00	1,296,000.00	70,246,000.00
<u>Information From Your Files:</u>			
Prior Year Assessments	65,666,670.00	(Increased because of Reassessment 5%)	
Prior Year Millage	115 Mills		
Fee-in-lieu Plus Other Sources	5,000,000.00	50,000 (New Fee Money)	
Prior Year Taxes Levied	7,551,670.00		
Prior Year Budget	12,551,670.00		
CPI & Growth (From RFA)	3%		
New Budget (Increased by 3% Over Prior Budget)	12,928,220.00		

Roll Back Formula:

$$\frac{\text{Prior Year Taxes Levied}}{\text{Adjusted New Reassessment Value}} = \frac{7,551,670}{68,950,000} = 109.52$$

(Drop to 109.5)

$$\begin{array}{r} \text{Roll Back Millage} \quad 109.5 \\ \text{CPI \& Growth} \quad \underline{\times 1.03} \\ \hline 112.78 \quad (\text{Drop to 112.7 Mills}) \end{array}$$

$$\begin{array}{r} \text{New reassessment base with new property} \quad \$70,246,000 \\ \text{New millage rate} \quad \underline{\times .1127} \\ \hline \text{Taxes generated (rounded)} \quad \$7,916,724 \end{array}$$

Is this going to fund the new budget?

$$\begin{array}{r} \text{Taxes generated} \quad \$7,916,724 \\ \text{Fee-in-lieu plus other sources} \quad + \underline{5,050,000} \\ \hline \text{Total funds available} \quad \$12,966,724 \end{array}$$

$$\begin{array}{r} \text{Total funds available} \quad \$12,966,724 \\ \text{New budget requirements} \quad - \underline{12,928,220} \\ \hline \text{Surplus funds} \quad \$ \quad 38,504 \end{array}$$

What is the value of a mill from the property that is taxable?

$$\begin{array}{r} \text{NEW Assessment Base} \quad \$70,246,000 \\ \quad \quad \quad \underline{\times .001} \\ \quad \quad \quad \$70,246 \end{array}$$

OR

$$\begin{array}{r} \text{Total Taxes Generated} \quad \underline{\$7,916,724} \\ \text{New Millage} \quad 112.7 \quad = \$70,246 \text{ (rounded)} \end{array}$$

Roll Back Formula – Budget Shortfall

Use the same new base in reassessment, however, the new budget increased by 5% over the prior budget.

Prior Year Budget:	\$12,551,670
5% Increase:	X <u>1.05</u>
New Budget Needs:	\$13,179,250 (rounded)

We have the following information from the 3 prior years when county could have imposed additional millage, but did not.

2018:	1.2 mills
2017:	1.9 mills
2016:	2.0 mills

New budget needs based on 5% increase from prior budget:	\$13,179,250
Total Funds available from reassessment:	-12,966,724
Shortfall:	(212,526)

We know a mill generates \$70,246

Shortfall:	<u>212,526</u>		
Value of a mill:	70,246	=	3.02 mills (drop to 3.0 mills)

Mills available from 2016:	2.0
Mills available from 2017 (leaves .9 mill for 2017):	<u>1.0</u>
Total mills added to 112.8:	3.0

Total millage for current year will now be 115.8, which will generate enough to fully fund the budget.

Total Assessed Value (after reassessment with new property)	70,246,000
Total millage for current year	X <u>.1158</u>
Total Fund from Taxes	8,134,486
Fee-in-lieu Plus Other Sources	+ <u>5,050,000</u>
Total Funds Available	13,184,486
Total Budget Needs with the 5% Increase	- <u>13,179,250</u>
Surplus Funds with Adjusted Millage	5,236

Questions?

Sandy Houck

Special Projects/Government Affairs

803-898-5478

Sanford.HouckJr@dor.sc.gov

South Carolina Department of Revenue

Government Services Division

P.O. Box 125

Columbia, SC 29214

dor.sc.gov

Additional Contacts:

Charlene Rackley

803-898-4975

Charlene.Rackley@dor.sc.gov

Amelia Furr Ruple

803-898-5344

Amelia.ruple@dor.sc.gov

Lisa Stokes

803-898-5223

Lisa.Stokes@dor.sc.gov