



March 12, 2013

## **Frequently Asked Questions: Beaufort SC business license revenue and property reassessment**

### **1. How much do business license fees contribute to the annual Beaufort operating budget?**

**Answer:** For the past four years, business license fees have steadily contributed approximately 23 percent of Beaufort's general fund operating budget. In 2012, Beaufort collected \$1.933 million in business license fees, or \$3.765 million including business license revenue and Brokers' tax, telecommunications tax and insurance tax collected for Beaufort by the Municipal Association of South Carolina.

Rates for the business license tax have remained constant for more than five years, and represent less than one-quarter of a percent of the gross revenues of businesses operating in Beaufort.

### **2. How much difference is there in license fees for those located within the Beaufort limits and those outside the town limits?**

**Answer:** Businesses located outside the town limits pay **twice** as much for an annual license to operate in Beaufort. This applies to both the base fee and the percentage of annual gross sales/revenues. For instance, a clothing store inside Beaufort's limits pays a \$32 base fee on the initial \$2,000 of revenues, then another \$1.26 per additional thousand of revenue. The same business physically located outside the town limits but doing business inside the town limits (selling clothing items to other retailers within Beaufort, etc.), pays \$64 for a base fee plus \$2.54 per additional thousand of revenue.

### **3. Will Beaufort property taxes go up in 2013?**

**Answer:** Reassessment and how state laws and opinions from the Attorney General affect reassessment and property taxes will require careful study. The purpose of the "rollforward" approach with reassessed property values is to stabilize property taxes so they don't detrimentally affect the property taxpayer **or** the government in times of market value increase or decreases. Rollforward is **not** considered a property tax increase.

There are many factors that come into play regarding property taxes. Unfortunately there are no simple answers. The way the state law is written and county tax assessors are required to

administer, a decrease in property values does not automatically equate to a decrease in property taxes in a period of “rollforward.” City Council will have to weigh all of those factors, along with the Attorney General’s opinion to determine how reassessment will affect property taxes.

Beaufort faces a widening disparity between the debt revenue generated by the debt mil versus the debt payment. While there are options to cover that disparity, one of them is to increase the debt mil to cover the payments -- which is what most local governments do. Debt service pays for things paid for over time, typically big-ticket items such as new buildings, law enforcement and firefighter vehicles or road improvements.

South Carolina's Act 388 doesn't cap the debt millage. Because of this, an option City Council may consider is applying any debt, short or long term, to the debt millage. Another option is to assign fees for services to collect revenues for direct services. Beaufort already does this with sanitation, stormwater management, building and zoning permit and park usage fees.

#### **4. What is reassessment?**

**Answer:** Once every five years, the County appraises and "equalizes" properties under its jurisdiction. In the year that reassessment is done, the new millage is calculated by dividing the prior year property tax revenues by the adjusted total assessed value applicable in the year the values derived from the countywide equalization and area assessment program.

#### **5. What does that mean for Beaufort?**

**Answer:** Based on the preliminary data coming from Beaufort County and the Beaufort County Tax Assessor, property values North of the Broad River have held their value better than properties South of the Broad River. In other words, the devaluation of properties is not as great for Beaufort and Port Royal as is expected for the jurisdictions South of the Broad.

County Assessor Ed Hughes has said that an average change in value is calculated based on re-appraisals for the County as a whole. The preliminary calculations by the assessor resulted in an average 13 percent decrease in value, countywide. This average is the measuring stick by which individual properties will be evaluated against, in determining whether there is a property tax increase or decrease.

The final numbers from the Tax Assessor are expected to be available in early April at which time the City will re-examine the options available for consideration.

Keep in mind: Because of reassessment, more property tax appeals are anticipated, making it more difficult for local governments to balance 2014 property tax revenues with prior years'.

#### **6. If this information is being presented in mid-March to Council, what's the next step?**

**Answer:** This is the first of probably three presentations relating to Beaufort revenues. On March 19, City Council will be briefed on the local option sales tax. None of the presentations are recommendations; they are designed to provide Council and the public with a good

understanding of Beaufort's financial status as the spring budget season begins. The fiscal year ends June 30.

***For more information about reassessment and the various rollforward options, visit [www.cityofbeaufort.org](http://www.cityofbeaufort.org), go to Departments and click on Finance.***