

Presentation to City Council Business License Revenues and Estimates related to Property Tax Reassessment

March 11, 2013

Purpose

- This presentation is for informational purposes only.
 - To assist Council toward making informed budget decisions.
- No recommendations are contained in this presentation.
- This presentation contains early estimates on reassessment from the County Tax Assessor. Final data will be available subsequent to April 1, 2013, following the proper approvals from the County and State officials.
 - The City's analysis and estimates will not be finalized until the final data is available and the County and School Board have determined the direction of their millage rates. These factors will have a significant impact on the City's direction.
- Several reassessment scenario's are presented. They do not represent every option that is available for consideration.

»» Business License Tax Revenues

Business License Rates

IN CITY BUSINESSES (physical location within City Limits)			ALL OTHER BUSINESSES (physical location outside City Limits)		
Rate Class (noted on the top of your renewal form)	Gross Sales/Revenues		Rate Class (noted on the top of your renewal form)	Gross Sales/Revenues	
	Base fee (first \$2,000)	Over \$2,000 (Rate per \$000's or fraction thereof)		Base fee (first \$2,000)	Over \$2,000 (Rate per \$000's or fraction thereof)
01A, AF	\$ 23.00	\$ 0.86	010	\$ 46.00	\$ 1.72
02A, AF	32.00	1.26	020	64.00	2.52
03A, AF	41.00	1.66	030	82.00	3.32
04A, AF	50.00	2.06	040	100.00	4.12
05A, AF	59.00	2.46	050	118.00	4.92
06A, AF	68.00	2.86	060	136.00	5.72
07A, AF	77.00	3.26	070	154.00	6.52
08A, AF	58.00	1.72	08C	116.00	3.44
All other 08 Classifications - please contact the Business License Office.					

- The second character of the rate class noted above corresponds to the rate class noted in Appendix A, B & C of the proposed Draft Amendment to the Business License Ordinance.
- See Appendix A, Appendix B and Appendix C that are part of the Draft Amendment to the Business License Ordinance.
- The above rates by class have been in affect for 5+ years.

Business License Activity – Historical Perspective

Tax Year	Gross Revenues	Business License Revenues Collected by the City	Average % of Business License Revenue to Gross Revenues	Business License Revenues collected by MASC	Total Business License Revenues
2009	\$ 793,677,352	\$ 1,836,138	0.23%	\$ 1,667,116	\$ 3,503,254
2010	755,447,810	1,792,088	0.24%	1,601,356	3,393,444
2011	777,841,523	1,819,993	0.23%	1,705,932	3,525,925
2012	837,304,291	1,933,502	0.23%	1,831,079	3,764,580

- The amounts presented as Business License Revenues Collected Municipal Association of South Carolina (MASC) include the Brokers Tax, Insurance Tax and Telecommunication Tax collected on behalf of the City under the MASC Tax Collection Programs.

Business License Revenues – Detail by Rate Class

2012			
Rate Class	Gross Sales	Revenue	% of Gross Sales
1	\$ 268,326,660	\$ 234,940	0.09%
2	122,715,491	166,298	0.14%
3	81,868,063	224,267	0.27%
4	11,569,338	25,791	0.22%
5	-	59	0.00%
6	19,551,665	73,030	0.37%
7	151,207,481	654,126	0.43%
All Other	182,065,593	554,990	0.30%
	<u>\$ 837,304,291</u>	<u>\$ 1,933,502</u>	<u>0.23%</u>

2011			
Rate Class	Gross Sales	Revenue	% of Gross Sales
1	\$ 266,476,326	\$ 235,177	0.09%
2	119,814,357	158,563	0.13%
3	83,141,655	224,384	0.27%
4	11,207,010	21,997	0.20%
5	16,900	250	1.48%
6	18,258,176	67,507	0.37%
7	159,435,084	683,841	0.43%
All Other	119,492,016	428,273	0.36%
	<u>\$ 777,841,523</u>	<u>\$ 1,819,993</u>	<u>0.23%</u>

2010			
Rate Class	Gross Sales	Revenue	% of Gross Sales
1	\$ 264,951,443	\$ 236,193	0.09%
2	111,156,462	145,913	0.13%
3	82,882,093	233,163	0.28%
4	11,012,565	19,825	0.18%
5	21,500	270	1.26%
6	20,823,522	75,319	0.36%
7	163,664,639	704,759	0.43%
All Other	100,935,587	376,646	0.37%
	<u>\$ 755,447,810</u>	<u>\$ 1,792,088</u>	<u>0.24%</u>

2009			
Rate Class	Gross Sales	Revenue	% of Gross Sales
1	\$ 278,843,732	\$ 245,039	0.09%
2	120,762,432	153,357	0.13%
3	77,938,540	214,395	0.28%
4	10,228,866	22,651	0.22%
5	86,000	807	0.94%
6	21,668,606	81,676	0.38%
7	171,130,943	714,779	0.42%
All Other	113,018,233	403,434	0.36%
	<u>\$ 793,677,352</u>	<u>\$ 1,836,138</u>	<u>0.23%</u>

- The above amounts exclude the taxes collected by MASC under the Tax Collection Program.

»» Property Taxes and Reassessment Estimates

CURRENT PROPERTY TAX – TAX YEAR 2012 VALUES

- Taxable Values were obtained from Beaufort County for TY 2012.

Current Millage

<u>Rates</u>	<u>Mil</u>	<u>Ratio</u>	
Operating	45.00	74%	\$ 3,286,753 Operating
Debt	15.62	26%	1,140,868 Debt
Total	60.62	100%	<u>\$ 4,427,621</u>
GO Bond Debt Payment		\$ 1,367,000	
Taxable Assessed Value		\$ 73,213,333	<u>\$ (226,132) Gap in Debt Obligation</u>
Total Property Tax Billed		\$ 4,427,621	

- According to State Law, Section 6-1-320 (D), the restrictions affecting millage rate increases does not apply to the 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.
- State law indicates that the debt mill should be equivalent to generate sufficient property tax revenue to cover the annual debt service requirement for general obligation debt.
- The Gap in Debt Obligation (difference between the property tax generated by the debt mil versus the debt payment) consists of \$22,222 shortfall in meeting the 2008 general obligation debt and \$203,910 of the 2012 general obligation debt payment that Council previously committed to using Land Acquisition fund balance.

MILLAGE RATE INCREASE LIMITATIONS

- A municipality may increase its property tax millage rate for **operating purposes** above the previous year's rate by the average of the 12-month consumer price indices for the most recent 12-month period consisting of January through December of the preceding calendar year.
 - In addition to this increase, the millage rate may be increased by an additional amount equal to the percentage increase in population in the previous year population of the municipality set by the Office of Research and Statistics of the State Budget and Control Board.
- Once every five (5) years, the County shall appraise and equalize those properties (real property only) under its jurisdiction.
 - In the year that reassessment is implemented, 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.
 - Prior year property tax revenues is defined as those property taxes billed and collected the prior property tax year plus that year's delinquent taxes collected beginning January 16.
- A 2006 amendment to the state constitution limits the increase in value of properties to a 3 percent per year and a maximum of 15% over a five-year period. The five year period coincides with the reassessment program.

REASSESSMENT

- Beaufort County obtained an Attorney General Opinion to address the question concerning the millage rate calculation during a reassessment year when the County experiences an overall decrease in the assessed value of the property located in the County.
 - Specifically as it relates to the rollback provisions of sections 6-1-320(A) and 12-37-251(E).
- The conclusion of the SC Attorney General stated that:
 - Rollback provisions in Sections 12-37-251 and 6-1-320 were enacted to prevent taxpayers from incurring a tax liability in reassessment years that is much higher than the previous year, thereby protecting the taxpayer by rolling back the millage to compensate for higher property values.
 - Legislature sought to also stabilize tax bills in order to provide municipalities with a consistent stream of revenue.
 - Though section 12-37-251 and 6-1-320 do not specifically address overall property value decreases, the mandatory language in section 6-1-320(A) intends that the calculation be used in any year of reassessment, not just when overall property values increase.
 - Advise that when an overall decrease in property values in reassessment year is experienced that the rollback calculation provided in section 12-37-251 be employed.
 - This is commonly referred to as Rollforward.

GENERAL FUND MILLAGE RATE OPTIONS IN REASSESSMENT YEAR

Common factors applied to the following option:

- Estimated average decrease in taxable assessed value – 5.62%
- Estimated taxable assessed value
 - Real Property decreased from \$61,393,953 to \$57,942,805
 - Personal Property and Auto taxable assessed value assumed to remain stagnant at \$11,819,380.
- GO Bond Debt Payment consists of approximately \$1,163,090 for the 2008 general obligation bonds and \$203,910 for the 2012 general obligation bonds.

NO ROLLFORWARD

Operating	45.00	\$ 3,129,448	Operating
Debt	15.62	1,099,536	Debt
Total	60.62	<u>\$ 4,228,984</u>	
GO Bond Debt Payment	\$ 1,367,000	<u>\$ (267,464)</u>	Gap in Debt Obligation
Taxable Assessed Value	\$ 69,762,185	<u>\$ (198,638)</u>	Estimated Operating Revenue Shortfall
Total Property Tax Billed	\$ 4,228,984		

GENERAL FUND MILLAGE RATE OPTIONS IN REASSESSMENT YEAR

Common factors applied to the following option:

- Estimated average decrease in taxable assessed value – 5.62%
- Estimated taxable assessed value
 - Real Property decreased from \$61,393,953 to \$57,942,805
 - Personal Property and Auto taxable assessed value assumed to remain stagnant at \$11,819,380.
- GO Bond Debt Payment consists of approximately \$1,163,090 for the 2008 general obligation bonds and \$203,910 for the 2012 general obligation bonds.

NO ROLLFORWARD IN OPERATING MIL, INCREASE DEBT MIL

Operating	45.00		
Debt	19.60		
Total	64.60		
		\$ 3,106,567	Operating
		1,352,747	Debt
		<u>\$ 4,459,315</u>	
GO Bond Debt Payment	\$ 1,367,000		
Taxable Assessed Value	\$ 69,762,185	<u>\$ (14,253)</u>	Gap in Debt Obligation
Total Property Tax Billed	\$ 4,459,315		
		<u>\$ 31,693</u>	Estimated Operating Revenue increase

GENERAL FUND MILLAGE RATE OPTIONS IN REASSESSMENT YEAR

Common factors applied to the following option:

- Estimated average decrease in taxable assessed value – 5.62%
- Estimated taxable assessed value
 - Real Property decreased from \$61,393,953 to \$57,942,805
 - Personal Property and Auto taxable assessed value assumed to remain stagnant at \$11,819,380.
- GO Bond Debt Payment consists of approximately \$1,163,090 for the 2008 general obligation bonds and \$203,910 for the 2012 general obligation bonds.

FULL ROLLFORWARD IN OPERATING MIL, NO CHANGE IN DEBT MIL

	47.11 Operating	\$ 3,286,497 Operating
	15.62 Debt	<u>1,089,685 Debt</u>
	62.73 Total	<u><u>\$ 4,376,182</u></u>
GO Bond Debt Payment	\$ 1,367,000	<u><u>\$ (277,315) Gap in Debt Obligation</u></u>
Taxable Assessed Value	\$ 69,762,185	
Total Property Tax Billed	\$ 4,376,182	<u><u>\$ (256) Initial Operating Revenue Shortfall</u></u>

GENERAL FUND MILLAGE RATE OPTIONS IN REASSESSMENT YEAR

Common factors applied to the following option:

- Estimated average decrease in taxable assessed value - 5.62%
- Estimated taxable assessed value
 - Real Property decreased from \$61,393,953 to \$57,942,805
 - Personal Property and Auto taxable assessed value assumed to remain stagnant at \$11,819,380.
- GO Bond Debt Payment consists of approximately \$1,163,090 for the 2008 general obligation bonds and \$203,910 for the 2012 general obligation bonds.

FULL ROLLFORWARD IN OPERATING MIL, INCREASE IN DEBT MIL

	Operating	47.11			
	Debt	19.60		\$ 3,286,753	Operating
	<u>Total</u>	<u>66.71</u>		<u>1,367,000</u>	Debt
				<u>\$ 4,653,753</u>	
GO Bond Debt Payment	\$	1,367,000			
Taxable Assessed Value	\$	69,762,185		<u>\$ -</u>	Gap in Debt Obligation
Total Property Tax Billed	\$	4,653,753		<u>\$ -</u>	Initial Operating Revenue Shortfall

GENERAL FUND MILLAGE RATE OPTIONS IN REASSESSMENT YEAR

Common factors applied to the following option:

- Estimated average decrease in taxable assessed value - 5.62%
- Estimated taxable assessed value
 - Real Property decreased from \$61,393,953 to \$57,942,805
 - Personal Property and Auto taxable assessed value assumed to remain stagnant at \$11,819,380.
- GO Bond Debt Payment consists of approximately \$1,163,090 for the 2008 general obligation bonds and \$203,910 for the 2012 general obligation bonds.

NO ROLLFORWARD IN OPERATING MIL, CPI APPLIED AND INCREASED DEBT MIL

	Operating Millage	45.000	
	4.12 % CPI Increase Allowed	1.854	
	Operating Millage	46.854	\$ 3,268,637 Operating
	Debt Millage	19.600	1,367,339 Debt
	Revised Millage	66.454	<u>\$ 4,635,976</u>
			<u>\$ 339</u> Gap in Debt Obligation
GO Bond Debt Payment	\$	1,367,000	
Taxable Assessed Value	\$	69,762,185	
Total Property Tax Billed	\$	4,635,976	<u>\$ (18,115)</u> Initial Operating Revenue (Shortfall)

THINGS TO KEEP IN MIND

- This presentation was for informational purposes only to assist the City Council toward making informed budget decisions.
- No recommendations were contained in this presentation.
- This presentation contains early estimates on reassessment from the County Tax Assessor. Final data will be available subsequent to April 1, 2013 following the proper approvals from the County and the State officials.
 - The Rollforward calculations can materially change until the millage is set in August 2013.
- Several reassessment scenario's were presented. They do not represent every option that is available for consideration by City Council.
- Property tax appeals are anticipated to be high and therefore achieving revenue neutrality is not expected.
- Millage rollforward or rollback are not tax increases or tax decreases.
- CPI adjustments to the millage are tax increases.

TIF2 MILLAGE RATE OPTIONS IN REASSESSMENT YEAR –

- Several factors are involved in the impact of rollforward options related to TIF 2 that are outside the control of the City.
 - The rollforward decisions of the County and the School Districts will directly impact the TIF2 revenues.
 - The decrease in property values does not impact the base of TIF 2. The base value is set at the date the TIF was approved.
 - The decrease in property values is applied against the increment.
- Current values based upon Tax Year 2012 Tax Assessor values:

	Taxable Assessed	
	Value	Billed
Total	\$ 13,305,260	
Base	3,692,223	\$ 223,822.56
Increment	9,613,037	2,195,617.65

- Estimated values based on Tax Assessor’s forecast:

Total	\$ 12,280,755
Base	3,692,223
Increment	8,588,532

- Estimated decrease in Property values is approximately 7.7%.

TIF2 MILLAGE RATE OPTIONS IN REASSESSMENT YEAR –

➤ No Rollforward – All Taxing Districts

Property Tax on Increment	\$	1,961,621
Increase (Decrease) in Property Tax Revenue	\$	(233,997)

➤ Full Rollforward – All Taxing Districts

Property Tax on Increment	\$	2,185,806
Increase (Decrease) in Property Tax Revenue	\$	(9,811)

➤ Partial Rollforward – All Taxing Districts

Property Tax on Increment	\$	2,073,713
Increase (Decrease) in Property Tax Revenue	\$	(121,904)

QUESTIONS??