

## Rollback Taxes: A Brief Explanation.

The Rollback tax is a requirement codified in South Carolina state law. Anytime a property changes its use from agricultural use to any other use, it causes rollback taxes to be assessed and billed to that portion of the property. Changes that can trigger the rollback provision may be the addition of a new house or mobile home, an additional commercial building or activities, new subdivision lots, new parcels below certain sizes, etc (vacant land lying dormant is not agricultural use). It is calculated by determining the difference between what taxes had been paid at the agricultural use rate and what would have been paid if the property had been taxed at the 6% other property tax rate, for three years prior to the change in use. It does not matter if the current owner of the property is not the same as the owner that received the agricultural classification for the previous three years, the tax is still due for the year it is levied as a current year tax for that year. Often times when a property sells, the rollback taxes are allocated between the buyer and seller by the sales contract or during the closing, by the closing attorney. The county does not prorate rollback taxes between buyers and sellers as that is a function of an agreement, or lack of an agreement, between the buyer and seller and/or the closing attorney. Because failure to pay the tax can result in sale of the property, the new owner of the property (if any) is the notified party since the new owner's interest would be the most affected by the tax sale.

The relevant section of code is below:

SC Code of Law Section 12-43-220

(4) When real property which is in agricultural use and is being valued, assessed, and taxed under the provisions of this article, is applied to a use other than agricultural, it is subject to additional taxes, hereinafter referred to as roll-back taxes, in an amount equal to the difference, if any, between the taxes paid or payable on the basis of the valuation and the assessment authorized hereunder and the taxes that would have been paid or payable had the real property been valued, assessed, and taxed as other real property in the taxing district, in the current tax year (the year of change in use) and each of the three tax years immediately preceding in which the real property was valued, assessed, and taxed as herein provided. If in the tax year in which a change in use of the real property occurs the real property was not valued, assessed, and taxed under this article, then the real property is subject to roll-back taxes for each of the three tax years immediately preceding in which the real property was valued, assessed, and taxed hereunder. In determining the amounts of the roll-back taxes chargeable on real property which has undergone a change in use, the assessor shall for each of the roll-back tax years involved ascertain:

(A) the fair market value without consideration of the standing timber of such real property under the valuation standard applicable to other real property in the same classification;

(B) the amount of the real property assessment for the particular tax year by multiplying such fair market value by the appropriate assessment ratio provided in this article;

(C) the amount of the additional assessment on the real property for the particular tax year by deducting the amount of the actual assessment on the real property for that year from the amount of the real property assessment determined under (B) of this section;

(D) the amount of the rollback for that tax year by multiplying the amount of the additional assessment determined under (C) of this section by the property tax rate of the taxing district applicable for that tax year.