



ATI Exemption for South Carolina Multi-Family Purchasers

Article

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South Carolina law provides for a property tax exemption in the year following a sale (the “ATI Exemption”) which should be contemplated in due diligence, property tax planning and a key post-closing task for multi-family project purchasers and developers.

South Carolina Code Ann. § 12-37-3135 provides that where (1) a property is taxed at 6% assessment ratio prior to a transfer (this includes most multi-family projects); (2) 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 application is as follows (hypothetical valuations are for illustrative purposes only):

1. ATI Market Value (typically the purchase price): \$5,000,000.
2. Market valuation on the 2023 property tax bill: \$3,500,000.
3. 25% reduction (the ATI Exemption): \$3,750,000.
4. Taxable value (greater of either the 2023 Market valuation (number 2 above) or 25% reduction (number 3 above): In this example, a tax assessor will use \$3,750,000.
5. Tax due for 2024 will be calculated using the new valuation of \$3,750,000.
6. Absent applying for the ATI Exemption, the subject county would likely tax the property at the ATI market value of \$5,000,000.

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The savings can be quite substantial. The ATI Exemption should be contemplated during due diligence and addressed shortly after closing. It can also apply to land value when property is acquired for development. The ATI need only be applied for in the year immediately following a transfer. The application deadline for the ATI Exemption is January 30 of the following tax year, and there is no basis for an extension or forgiveness in the event of a failure to properly apply for the ATI Exemption.