

ARTICLE 25.
SOUTH CAROLINA REAL PROPERTY VALUATION REFORM ACT
(with 2010 amendments)

SECTION 12-37-3110. Citation of article.

This article may be cited as the "South Carolina Real Property Valuation Reform Act".

SECTION 12-37-3120. Interpretation with other laws.

The value of real property for purposes of the imposition of the property tax is subject to the provisions of this article. Except where inconsistent, the provisions of this article are in addition to and not in lieu of other provisions of law applicable to the valuation of real property for purposes of the property tax. If the provisions of this article are inconsistent with other provisions of law, the provisions of this article apply.

SECTION 12-37-3130. Definitions.

As used in this article:

- (1) "Additions" or "improvements" mean an increase in the value of an existing parcel of real property because of:
- (a) new construction;
 - (b) reconstruction;
 - (c) major additions to the boundaries of the property or a structure on the property;
 - (d) remodeling; or
 - (e) renovation and rehabilitation, including installation.

Additions or improvements do not include minor construction or ongoing maintenance and repair of existing structures. The repair or reconstruction of a structure damaged or destroyed by a disaster, to include, but not limited to, construction defects, defective materials, fire, wind, hail, flood, and acts of God, is not an addition or improvement to the extent that the structure as repaired or reconstructed is similar in size, utility, and function of the structure damaged or destroyed, and the rebuilding or reconstruction is begun within eight years after determination of the damage or destruction. Construction of facilities in a home that make the home handicapped accessible is not an addition or improvement if the utility and function of the structure remains unchanged.

(2) "Adjustments" mean changes in fair market value as determined in periodic countywide appraisal and equalization programs conducted pursuant to Section 12-43-217 as allowed pursuant to Section 6, Article X of the Constitution of this State, but adjustments are subject to the limits on increases provided in that Section 6 and as further provided in Section 12-37-3140(B).

(3) "Appraisal" or "appraised" means the process provided by law for the property tax assessor to determine the fair market value of real property and additions and improvements to real property.

(4) "Assessable transfer of interest" means a transfer of an existing interest in real property that subjects the real property to appraisal. For purposes of this definition, an existing interest in real property includes life estate interests.

(5) RESERVED

(6) "Commonly controlled" means persons having relationships as described in Section 267(b) of the Internal Revenue Code as defined in Section 12-6-40(A).

(7) "Conveyance" means the date of the transfer of an assessable transfer of interest in real property. Failure to record legal instruments evidencing a transfer of interest gives rise to no inference as to whether or not an assessable transfer of interest has occurred.

(8) "Property tax assessor" means the county assessor, an assessor appointed to handle multiple county assessments pursuant to an intergovernmental agreement, or the Department of Revenue, as applicable.

SECTION 12-37-3140. Determining fair market value.

(A)(1) For property tax years beginning after 2006, the fair market value of real property is its fair market value applicable for the later of:

(a) the base year, as defined in subsection (C) of this section;

(b) December thirty-first of the year in which an assessable transfer of interest has occurred;

(c) as determined on appeal; or

(d) as it may be adjusted as determined in a countywide reassessment program conducted pursuant to Section 12-43-217, but limited to increases in such value as provided in subsection (B) of this section.

(2) To the fair market value of real property as determined at the time provided in item (1) of this subsection, there must be added the fair market value of subsequent improvements and additions to the property.

(B) Any increase in the fair market value of real property attributable to the periodic countywide appraisal and equalization program implemented pursuant to Section 12-43-217 is limited to fifteen percent within a five-year period to the otherwise applicable fair market value. This limit must be calculated on the land and improvements as a whole. However, this limit does not apply to the fair market value of additions or improvements to real property in the year those additions or improvements are first subject to property tax, nor do they apply to the fair market value of real property when an assessable transfer of interest occurred in the year that the transfer value is first subject to tax.

(C) For purposes of determining a "base year" fair market value pursuant to this section, the fair market value of real property is its appraised value applicable for property tax year 2007.

(D) Real property valued by the unit valuation concept is excluded from the limits provided pursuant to subsection (B) of this section.

(E) Value attributable to additions and improvements, and changes in value resulting from assessable transfers of interest occurring in a property tax year are first subject to property tax in the following tax year except as provided pursuant to Section 12-37-670(B).

SECTION 12-37-3150. Determining when to appraise parcel of real property.

(A) For purposes of determining when a parcel of real property must be appraised, an assessable transfer of interest in real property includes, but is not limited to, the following:

(1) a conveyance by deed;

(2) a conveyance by land contract;

- (3) a conveyance to a trust, except if:
- (a) the settlor or the settlor's spouse, or both, conveys the property to the trust and the sole present beneficiary or beneficiaries are the settlor or the settlor's spouse, or both; or
 - (b) the settlor or the settlor's spouse, or both, conveys property subject to the special four percent assessment ratio pursuant to Section 12-43-220(c) and the sole present beneficiary or beneficiaries is the child or children of the settlor or the settlor's spouse, but a subsequent conveyance of this real property by the beneficiary child or children is not exempt from the provisions of this section.
- (4) a conveyance by distribution from a trust, except if the distributee is the sole present beneficiary or the spouse of the sole present beneficiary, or both;
- (5) a change in the sole present beneficiary or beneficiaries of a trust, except a change that adds or substitutes the spouse of the sole present beneficiary;
- (6) a conveyance by distribution under a will or by intestate succession, except if:
- (a) the distributee is the decedent's spouse; or
 - (b) the distributee is a child or children of the decedent, the decedent did not have a spouse at the time of the decedent's death, and the property is subject to the special four percent assessment ratio pursuant to Section 12-43-220(c), but a subsequent conveyance of this real property by the distributee child or children is not exempt from the provisions of this section;
- (7) a conveyance by lease if the total duration of the lease, including the initial term and all options for renewal, is more than twenty years or the lease grants the lessee a bargain purchase option. As used in this item, "bargain purchase option" means the right to purchase the property at the termination of the lease for not more than eighty percent of the property's true cash value at the termination of the lease. This item does not apply to personal property or that portion of the property not subject to the leasehold interest conveyed;
- (8) a transfer of an ownership interest in a single transaction or as a part of a series of related transactions within a twenty-five year period in a corporation, partnership, sole proprietorship, limited liability company, limited liability partnership, or other legal entity if the ownership interest conveyed is more than fifty percent of the corporation, partnership, sole proprietorship, limited liability company, limited liability partnership, or other legal entity. This provision does not apply to transfers that are not subject to federal income tax, as provided in subsection (B)(1), including, but not limited to, transfers of interests to spouses. The corporation, partnership, sole proprietorship, limited liability company, limited liability partnership, or other legal entity shall notify the applicable property tax assessor on a form provided by the Department of Revenue not more than forty-five days after a conveyance of an ownership interest that constitutes an assessable transfer of interest or transfer of ownership under this item. Failure to provide this notice or failure to provide accurate information of a transaction required to be reported by this subitem subjects the property to a civil penalty of not less than one hundred nor more than one thousand dollars as determined by the assessor. This penalty is enforceable and collectible as property tax and is in addition to any other penalties that may apply. Failure to provide this notice is a separate offense for each year after the notice was required;
- (8) a transfer of an ownership interest in a single transaction or as a part of a series of related transactions within a twenty-five year period in a corporation, partnership, sole proprietorship, limited liability company, limited liability partnership, or other legal entity if the ownership interest conveyed is more than fifty percent of the corporation, partnership, sole proprietorship, limited liability company, limited liability partnership, or other legal entity. The corporation, partnership, sole proprietorship, limited liability company, limited liability partnership, or other legal entity shall notify the applicable property tax assessor on a form provided by the Department of Revenue not more than forty-five days after a conveyance of an ownership interest that constitutes an assessable transfer of interest or transfer of ownership under this item;
- (9) a change of use of agricultural real property which subjects it to the rollback tax;
- (10) a change of use of real property when classification of property changes as a result of a local zoning ordinance change; or

(11) the passage of twenty years since the later of the base year or the last assessable transfer of interest for real property owned by a publicly-held entity whose stock, shares, or other ownership interests are traded on a regulated exchange, a pension fund, or other similar entity.

An assessable transfer of interest resulting in the appraisal required pursuant to this article occurs at the time of execution of the instruments directly resulting in the transfer of interest and without regard as to whether or not the applicable instruments are recorded. Failure to record instruments resulting in a transfer of interest gives rise to no inference as to whether or not an assessable transfer of interest has occurred.

(B) An assessable transfer of interest does not include:

(1) transfers not subject to federal income tax in the following circumstances:

(a) 1033 (Conversions-Fire and Insurance Proceeds to Rebuild);

(b) 1041 (Transfers of Property Between Spouses or Incident to Divorce);

(c) 351 (Transfer to a Corporation Controlled by Transferor);

(d) 355 (Distribution by a Controlled Corporation);

(e) 368 (Corporate Reorganizations); or

(f) 721 (Nonrecognition of Gain or Loss on a Contribution to a Partnership).

Number references in the above subitems are to sections of the Internal Revenue Code of 1986, as defined in Section 12-6-40;

(2) a transfer of that portion of property subject to a life estate or life lease retained by the transferor, until expiration or termination of the life estate or life lease;

(3) a transfer through foreclosure or forfeiture of a recorded instrument or through deed or conveyance in lieu of a foreclosure or forfeiture, until the redemption period has expired;

(4) a transfer by redemption by the person to whom taxes are assessed of property previously sold for delinquent taxes;

(5) a conveyance to a trust if the settlor or the settlor's spouse, or both, convey the property to the trust and the sole present beneficiary of the trust is the settlor or the settlor's spouse, or both;

(6) a transfer for security or an assignment or discharge of a security interest;

(7) a transfer of real property or other ownership interests among members of an affiliated group. As used in this item, "affiliated group" is as defined in Section 1504 of the Internal Revenue Code as defined in Section 12-6-40. Upon request of the applicable property tax assessor, a corporation shall furnish proof within forty-five days that a transfer meets the requirements of this item. A corporation that fails to comply with this request is subject to a civil penalty as provided in Section 12-37-3160(B);

(8) a transfer of real property or other ownership interests among corporations, partnerships, limited liability companies, limited liability partnerships, or other legal entities if the entities involved are commonly controlled. Upon request by the applicable property tax assessor, a corporation, partnership, limited liability company, limited liability partnership, or other legal entity shall furnish proof within forty-five days that a transfer meets the requirements of this item. A corporation, partnership, limited liability company, limited liability partnership, or other legal entity that fails to comply with this request is subject to a civil penalty as provided in Section 12-37-3160(B); or

(9) a transfer of an interest in a timeshare unit by deed or lease.

(10) a transfer of an undivided, fractional ownership interest in real estate in a single transaction or as a part of a series of related transactions, if the ownership interest or interests conveyed, or otherwise transferred, in the single transaction or series of related transactions within a twenty-five year period, is not more than fifty percent of the entire fee simple title to the real estate;

(11) a transfer to a single member limited liability company, not taxed separately as a corporation, by its single member or a transfer from a single member limited liability company, not taxed separately as a corporation, to its single member, as provided in Section 12-2-25(B)(1);

(12) a conveyance, assignment, release, or modification of an easement, including, but not limited to:

- (a) a conservation easement, as defined in Chapter 8, Title 27;
- (b) a utility easement; or
- (c) an easement for ingress, egress, or regress;

(13) a transfer or renunciation by deed, release, or agreement of a claim of interest in real property for the purpose of quieting and confirming title to real property in the name of one or more of the existing owners of the real property or for the purpose of confirming or establishing the location of an uncertain or disputed boundary line; or

(14) the execution or recording of a deed to real property for the purpose of creating or terminating a joint tenancy with rights of survivorship, provided the grantors and grantees are the same. (10-14 added June 2010)

SECTION 12-37-3160. Promulgation of regulations; circumstances constituting change in beneficial ownership; certification of details of property ownership; penalties for falsification.

(A) The Department of Revenue may promulgate regulations to implement this article, including, without limitation, providing for those circumstances that constitute a change in the beneficial ownership of real property or an assessable transfer of interest not evidenced by transfer of fee simple title. The department shall examine the substance, rather than merely the form of the transfer, and related and surrounding transactions, and may use the step transaction, economic reality, quid pro quo, personal benefit, and other judicially developed doctrines in determining whether the requisite assessable transfer of interest has occurred.

(B)(1) Except as provided pursuant to item (2) of this subsection, the county assessor annually shall send to each real property owner of record, or the owner's agent of record, to the address of record, a certificate prescribed by the Department of Revenue which must be signed and returned by the property owner or the owner's agent certifying details of the ownership of the property. If the owner or owner's agent knowingly falsifies any detail on the certificate, then the owner or owner's agent is subject to a civil penalty imposed by the Department of Revenue, the county assessor, or an assessor appointed to handle multiple county assessments pursuant to an intergovernmental agreement, as applicable. The amount must not be less than twice the taxes lawfully due on the property or more than three times the taxes lawfully due on the property. This civil penalty is enforceable and collectable in the same manner as property tax.

(2) The annual certificate requirement provided pursuant to item (1) of this subsection does not apply to a real property owner who is a natural person. However, the assessor periodically may send certificates to natural persons subject to the same requirements provided pursuant to item (1) of this subsection.

(C) For purposes of this section, a "natural person" is an individual or group of individuals who directly owns real property outside of any legal entity. A natural person does not include a trustee, agent, officer, or member of a legal entity which has an ownership interest in real property. A legal entity includes, but is not limited to, a corporation, partnership, limited liability company, unincorporated association, or trust.

SECTION 12-37-3170. Effect on valuation of agricultural property.

(A) Nothing in this article affects the provisions of Section 12-43-220(d) that define and apply to "fair market value for agricultural purposes" for real property in agricultural use.

(B) Except as provided in Section 12-37-3150(9), this article does not affect the eligibility requirements for agricultural use or the imposition of rollback taxes when real property is changed from agricultural use.

(C) Nothing in this article affects the appropriate methods of appraising real property for purposes of the property tax by county assessors, assessors appointed to handle multiple county assessments pursuant to an intergovernmental agreement, and officials of the Department of Revenue, as applicable.

SECTION 12-37-220. General exemption from taxes.

(B) In addition to the exemptions provided in subsection (A), the following classes of property are exempt from ad valorem taxation subject to the provisions of Section 12-4-720:

(47)(a) Effective for property tax years beginning after 2006 and to the extent not already exempt pursuant to Section 12-37-250, one hundred percent of the fair market value of owner-occupied residential property eligible for and receiving the special assessment ratio allowed owner-occupied residential property pursuant to Section 12-43-220(c) is exempt from all property taxes imposed for school operating purposes but not including millage imposed for the repayment of general obligation debt.

(b) Notwithstanding any other provision of law, property exempted from property tax in the manner provided in this item is considered taxable property for purposes of bonded indebtedness pursuant to Section 15 of Article X of the Constitution of this State.

(c) The exemptions allowed by this item may not be deleted or reduced except by a legislative enactment receiving a recorded rollcall vote of at least a two-thirds majority of the membership of each house of the General Assembly.

SECTION 12-43-220. Classifications shall be equal and uniform; particular classifications and assessment ratios; procedures for claiming certain classifications; roll-back taxes.

Except as otherwise provided, the ratio of assessment to value of property in each class shall be equal and uniform throughout the State. All property presently subject to ad valorem taxation shall be classified and assessed as follows:

(c)(1) The legal residence and not more than five acres contiguous thereto, when owned totally or in part in fee or by life estate and occupied by the owner of the interest, and additional dwellings located on the same property and occupied by immediate family members of the owner of the interest, are taxed on an assessment equal to four percent of the fair market value of the property. If residential real property is held in trust and the income beneficiary of the trust occupies the property as a residence, then the assessment ratio allowed by this item applies if the trustee certifies to the assessor that the property is occupied as a residence by the income beneficiary of the trust. When the legal residence is located on leased or rented property and the residence is owned and occupied by the owner of a residence on leased property, even though at the end of the lease period the lessor becomes the owner of the residence, the assessment for the residence is at the same ratio as provided in this item. If the lessee of property upon which he has located his legal residence is liable for taxes on the leased property, then the property upon which he is liable for taxes, not to exceed five acres contiguous to his legal residence, must be assessed at the same ratio provided in this item. If this property has located on it any rented mobile homes or residences which are rented or any business for profit, this four percent value does not apply to those businesses or rental properties. For purposes of the assessment ratio allowed pursuant to this item, a residence does not qualify as a legal residence unless the residence is determined to be the domicile of the owner-applicant.

SECTION 12-37-251. Homestead exemption from property taxes levied for school operations other than those levied for bonded indebtedness and lease purchase payments for capital construction.

[Applicable for property tax year 2006, this section reads as follows:] *****Not applicable for following tax years*****

(A)(1) The Trust Fund for Tax Relief must contain an amount equal to the revenue necessary to fund a property tax exemption of one hundred thousand dollars based on the fair market value of property classified pursuant to Section 12-43-220(c) calculated on the school operating millage imposed for tax year 1995 or the current school operating millage, whichever is lower, excluding taxes levied for bonded indebtedness and payments pursuant to lease purchase agreements for capital construction. The 1995 tax year school operating millage or the current school operating millage, whichever is lower, is the base year millage for purposes of calculating the amount necessary to fund the Trust Fund for Tax Relief in accordance with this section. However, in years in which the values resulting from a countywide reassessment and equalization program are implemented, the base year millage must be adjusted to an equivalent millage rate in the manner that the Department of Revenue shall prescribe. Funds distributed to a taxing district as provided in subsection (B) of this section must be used to provide a uniform property tax exemption for all property in the taxing district which is classified pursuant to Section 12-43-220(c), excluding taxes levied for bonded indebtedness and payments pursuant to lease purchase agreements for capital construction.

ARTICLE 11.
ADDITIONAL SALES, USE, AND CASUAL EXCISE TAX

SECTION 12-36-1110. Additional sales, use and casual excise tax imposed on certain items; exceptions.

Beginning June 1, 2007, an additional sales, use, and casual excise tax equal to one percent is imposed on amounts taxable pursuant to this chapter, except that this additional one percent tax does not apply to amounts taxed pursuant to Section 12-36-920(A), the tax on accommodations for transients, nor does this additional tax apply to items subject to a maximum sales and use tax pursuant to Section 12-36-2110 nor to the sale of unprepared food which may be lawfully purchased with United States Department of Agriculture food coupons.

SECTION 12-36-1120. Revenue of taxes credited to Homestead Exemption Fund.

The revenue of the taxes imposed by this article must be credited to the Homestead Exemption Fund established pursuant to Section 11-11-155.

SECTION 12-36-1130. Prescribing amounts added to sales price to reflect additional taxes.

The Department of Revenue may prescribe amounts that may be added to the sales price to reflect the additional taxes imposed pursuant to this article.

SECTION 11-11-155. Homestead Exemption Fund established

(A) The revenue from the tax imposed pursuant to Article 11, Chapter 36 of Title 12 is automatically credited to a fund separate and distinct from the state general fund known as the "Homestead Exemption Fund". The Board of Economic Advisors shall account for the Homestead Exemption Fund revenue separately from general fund revenues, and the board shall make an annual estimate of the receipts by the Homestead Exemption Fund by February fifteenth of each year. This estimate shall be transmitted to the State Treasurer, Comptroller General, the Chairmen of the House Ways and Means Committee and the Senate Finance Committee, and to each school district and county. No portion of these revenues may be credited to the Education Improvement Act (EIA) Fund.

(B) An amount equal to the total reimbursements paid pursuant to the provisions of Section 12-37-251 and the school operating millage portion of the reimbursements paid pursuant to Section 12-37-270 in fiscal year 2006-2007 also must be credited to the Homestead Exemption Fund. Revenue deposited in the Homestead Exemption Fund each year in an amount equal to the total reimbursements paid pursuant to the provisions of Section 12-37-251, the school operating portion of the reimbursement paid pursuant to Section 12-37-270 in fiscal year 2006-2007 shall be used together with the revenues from the additional sales and use tax imposed pursuant to Section 12-36-1110 to provide reimbursements to school districts in the manner required by law.

(C) Subject to the provisions of Section 11-11-156(C), an unexpended balance in the Homestead Exemption Fund at the end of a fiscal year must remain in the Homestead Exemption Fund.

(D) Earnings on the Homestead Exemption Fund must be credited to the Homestead Exemption Fund.

(E) Nothing in this section prohibits appropriations by the General Assembly of additional revenues to the Homestead Exemption Fund and nothing in this section prevents the General Assembly from directing the use of these additional appropriations for specified purposes including a rollback of county operating millage on owner-occupied residential property.

(F) Revenues credited to this fund must be used as provided pursuant to Section 11-11-156.

SECTION 11-11-156. Reimbursement of school districts from Homestead Exemption Fund.

(A)(1) Beginning with fiscal year 2007-2008, school districts of this State must be reimbursed from the Homestead Exemption Fund in the manner provided in this subsection. The reimbursement due a school district for fiscal year 2007-2008 and thereafter consists of three tiers. The tier one reimbursement is an amount equal to the amount received by the district pursuant to the provisions of Section 12-37-251 as those provisions applied for fiscal year 2006-2007. The tier one reimbursement is fixed at the fiscal year 2006-2007 amount and continues into succeeding fiscal years at this fixed amount. The tier two reimbursement is the amount to be received by the district pursuant to the provisions of Section 12-37-270 for fiscal year 2006-2007 for the school operating millage portion of the reimbursement for the homestead exemption allowed pursuant to Section 12-37-250. The tier two reimbursement is fixed at this fiscal year 2006-2007 amount and continues into succeeding fiscal years at this fixed amount. The tier three reimbursement is derived from the revenue of the tax imposed pursuant to Article 11, Chapter 36 of Title 12, and for fiscal year 2007-2008, consists of an amount equal dollar for dollar to the revenue that would be collected by the district from property tax for school operating purposes imposed by the district on owner-occupied residential property for that fiscal year as if no reimbursed exemptions applied, plus an amount that a district may have received in its fiscal year 2006-2007 reimbursements pursuant to Section 12-37-251 in excess of the computed amount of that exemption from school operating millage for that year, reduced by the total of the district's tier one and tier two reimbursements.

(2) Beginning in fiscal year 2008-2009 a school district shall receive in reimbursements the total of what it received in fiscal year 2007-2008 plus the tier three reimbursement increases provided for in item (3). The tier three reimbursement increases of the several school districts as provided in item (3) for any year must be aggregated and the reimbursement increase a particular school district shall receive for that year must be equal to an amount that is the school district's proportionate share of such funds based on the district's weighted pupil units as a percentage of statewide weighted pupil units as determined annually pursuant to the Education Finance Act. For purposes of the reimbursement increases school districts receive under this subsection based on weighted pupil

units determined pursuant to the Education Finance Act, an additional add-on weighting for students in poverty of 0.20 must be included in the weightings provided in Section 59-20-40(1)(c) of the 1976 Code. The weighting for poverty shall provide additional revenues for students in kindergarten through grade twelve who qualify for Medicaid or who qualify for reduced or free lunches, or both. Revenues generated by this weighting must be used by districts and schools to provide services and research-based strategies for addressing academic or health needs of these students to ensure their future academic success, to provide summer school, reduced class size, after school programs, extended day, instructional materials, or any other research-based educational strategy to improve student academic performance.

(3)(a) Beginning with the fiscal year 2008-2009 reimbursements, these tier three reimbursements must be increased on an annual basis by an inflation factor equal to the percentage increase in the previous year of the Consumer Price Index, Southeast Region, as published by the United States Department of Labor, Bureau of Labor Statistics plus the percentage increase in the previous year in the population of the State as determined by the Office of Research and Statistics of the State Budget and Control Board. Distribution of these reimbursement increases must be as provided in this subsection.

(b) If the total increase provided pursuant to subitem (a) of this item is less than four percent, then to the extent revenues are available in the Homestead Exemption Fund, the CPI/population increase provided pursuant to subitem (a) of this item is further increased, not to exceed a total of four percent.

(4) The percentage of population growth in any year for any school district entitled to reimbursements from the Homestead Exemption Fund must be based on estimates for such growth in the county wherein the school district is located as determined by the Office of Research and Statistics of the State Budget and Control Board. Where the school district encompasses areas in more than one county, the population growth in that entity must be the average of the growth in each county weighted to reflect the existing population of the school district in that county as compared to the existing population of the school district as a whole.

(5)(a) No later than December thirty-first of each year, the Office of Research and Statistics of the State Budget and Control Board shall provide each school district with a preliminary estimate of the district's reimbursements from the Homestead Exemption Fund for the fiscal year beginning the following July first. A final estimate must be provided to each district by February fifteenth. The February fifteenth forecast may be adjusted if the Office of Research and Statistics determines that changing conditions have affected the forecast.

(b) The Department of Revenue shall pay the reimbursements provided pursuant to this subsection to the county treasurer for the credit of each school district in the county. The reimbursement must be paid on the application of the county treasurer according to the following schedule:

(i) ninety percent of the tier one reimbursement must be paid in the last quarter of the calendar year no later than December first. The balance of the tier one reimbursement must be paid in the last quarter of the fiscal year that ends June thirtieth following the first tier one reimbursement date;

(ii) tier two reimbursements must be paid on the same schedule as the second tier one reimbursement;

(iii) tier three reimbursements must be paid in nine equal monthly installments based on one-tenth of the Office of Research and Statistics estimate, beginning not later than October fifteenth. A final adjustment balance payment must be made before the closing of the state's books for the fiscal year.

(6) To the extent revenues in the Homestead Exemption Fund are insufficient to pay all reimbursements to a school district required by this subsection (A) and subsection (B), the difference must be paid from the state general fund. However, no general fund revenues may be used to achieve the distribution provided pursuant to item (3)(b) of this subsection.

(7) Operating millage levied in a county for alternative schools, career and technology centers, and county boards of education whether or not levied countywide or on a school district by school district basis in a county also is considered school operating millage to which the reimbursements provided for in this section apply.

(8) Reimbursements to a school district under this subsection must be considered in the computation of the required Education Improvement Act maintenance of local effort.

(B)(1) After the required reimbursements to school districts in a county have been made from the Homestead Exemption Fund for any year pursuant to subsection (A), a county, if the districts in that county have not together received a total of at least two million five hundred thousand dollars in tier three reimbursements, must receive an additional disbursement from the Homestead Exemption Fund to bring the total reimbursements to the districts in that county to at least two million five hundred thousand dollars. This additional disbursement must be paid to the county for disbursement to the school districts located within that county. These distributions under this subsection to any district in the county must be equal to the one hundred thirty-five day average daily membership of the district divided by the total average daily membership of all students in the districts in the county times the required amount of funds to bring the total reimbursements to the school districts in that county to at least two million five hundred thousand dollars.

(2) If a school district encompasses more than one county, the one hundred thirty-five day average daily membership of the students from that county attending schools of the district must be used to compute the distributions required by this subsection.

(3) The distributions to a county and then to a school district under this subsection must be considered to be outside of the Education Finance Act and must not be considered when computing the maintenance of local effort required of that district under the Education Improvement Act.

(C) When determined, any balance in the Homestead Exemption Fund remaining at the end of a fiscal year after the payments to school districts and counties pursuant to subsections (A) and (B) of this section must be segregated within the Homestead Exemption Fund and remitted in the next fiscal year to counties in the proportion that the population of the county is to the total population of the State. Population data must be as determined in the decennial United States Census and the most recent update to that data as determined by the Office of Research and Statistics of the State Budget and Control Board. Revenues received by the county must be used to provide a property tax credit against the property tax liability for county operations on owner-occupied residential property classified for property tax purposes pursuant to Section 12-43-220(c). The credit is an amount determined by dividing the total estimated revenues credited to the county during the applicable fiscal year by the number of parcels in the county eligible for the credit. Credit that exceeds the tax due on a parcel must be reallocated in a uniform amount to remaining parcels with a property tax liability for county operations. The distributions under this subsection are not an obligation of the state general fund if sufficient funds are not available to make such distributions from the Homestead Exemption Fund.

(D) Notwithstanding another provision of this section, in the case of a redevelopment project area created pursuant to Chapter 6, 7, or 12 of Title 31, the reimbursements provided pursuant to this section for the property tax exemption allowed by Section 12-37-220(B)(47) must include full payment to the city or county creating the redevelopment project area for amounts that would have been payable to the special tax allocation fund created pursuant to that chapter if no such exemption existed.

SECTION 11-11-157. Reallocation of local option sales tax.

Beginning June 1, 2007, funds derived from a one percent local option sales tax imposed in a county which are used to reduce ad valorem property taxes imposed on owner-occupied residential property for school operating purposes must be thereafter applied on a pro rata basis to reduce ad valorem property taxes levied for other purposes as the county governing body shall provide.