Findings of the 2021 South Carolina Citizen School Tax Survey

A Report by the University of South Carolina Aiken’s Social Science and Business Research Lab

Dr. Sarah Young
Assistant Professor of Political Science, USC Aiken

Dr. Matthew P. Thornburg
Associate Professor of Political Science, USC Aiken
Director, USC Aiken Social Science and Business Research Lab

November 2022

This project was made possible by financial funding through an ASPIRE I Research Grant awarded by the University of South Carolina Office of the Vice President of Research and supplemental funding from the USC Aiken Social Science and Business Research Lab.

The analyses and opinions contained herein are solely those of the authors and do not necessarily represent University of South Carolina Aiken or the University of South Carolina system.
ACKNOWLEDGEMENTS

A very special thanks is in order to David Wilson Steinmeyer, a recent graduate of the USC Aiken political science program, who meticulously entered survey responses to construct our data set and provided excellent supplemental research assistance on this project.

The authors would also like to thank Dr. Bob Botsch, Dr. Carol Botsch, Dr. Tim Lintner, and Mr. Ahmed Samaha for their expert advice in reviewing our survey instrument. Prof. Alexia Helsley, Dr. Mitchell Krumm, and Ms. Darcy Thornburg also provided review assistance for the survey instrument. Dr. Adriana Boersner-Herrera gave helpful feedback on the fact sheet to promote citizen awareness of school tax features in South Carolina. Ms. Kerri Charles helped us tremendously with follow up mailings and all administrative aspects of this project. We are grateful to them for helping us on this project.
EXECUTIVE SUMMARY

This technical paper presents the findings from a 2021 mailed survey sent to a random sample of registered voters in South Carolina. 250 respondents participated. Key findings of the survey include:

1. Most voters surveyed are unaware of the school tax exemption on primary residences enacted as a part of S.C. Act 388 in 2006.
   - Less than a quarter of survey respondents were aware of the school tax exemption, over 40% reported not knowing if there was an exemption, and nearly a third incorrectly indicated that there was no school tax exemption.
   - 60% of respondents answered that school operating costs are paid for by revenue collected from property tax on primary residences. However, first homes have been exempt from school operations tax since 2007.
   - Nearly one in five respondents indicate that property taxes on homes to fund public schools are too high, even though most homeowners do not pay property tax for school operations.
   - Knowledge of the exemption is low regardless of respondents’ income, home value, level of education, and other indicators examined. The public is broadly un-aware of the tax-free status of most homes from school millage.

2. Most voters surveyed are not in support of raising school operations revenue by increasing property tax or sales tax.
   - Less than 20% expressed support for raising school funds through increasing taxes on residential property, and only a little over a third expressed support for raising sales taxes.
   - Respondents expressed more favor for increasing taxes on commercial property, nearly one half.
   - Residential property tax was respondents’ least preferred method for funding public schools (about 60%), as compared to sales tax (about 30%) and commercial property tax (about 8%).
   - Republicans, conservatives, and homeowners were significantly more likely to indicate residential property tax as their least preferred option for school funding than were Democrats, liberals, or non-homeowners. However, on most other indicators there was little difference among groups in their low preference for residential tax.
   - Majorities of most socio-economic groups, residents with public school children, and non-retirees each indicated that residential tax was their least preferred school funding option.

3. Tax assessors and tax collection offices, as well as state legislatures, should enact measures to help enhance citizen awareness of the home tax exemption.
INTRODUCTION

Citizens generally do not express a fondness for taxes, and decades of public opinion research shows that they are particularly averse to property taxes. Home taxes are often identified by citizens as their least favored tax instrument in national polls (Gallup 2009, International Communications Research 2003, Advisory Commission on Intergovernmental Relations circa 1994). Since California’s Proposition 13 “tax revolt” in 1978, state-enacted property tax limits have proliferated. As of 2019, 36 states constrain the annual increase in the property tax rate enacted by a local jurisdiction, 37 states place limits on the overall levy of tax revenues that can be collected by local jurisdictions, and over a dozen states limit increases in assessed property values (Langley and Youngman 2021).

South Carolina’s legislature enacted significant property tax limits in 2006 with the passage of Act 388. This statute did the following:

- Capped annual increases in local property tax rates to no more than the percentage increase of a city or county’s population plus the rate of inflation.
- Limited increases in the assessed value of a residential property to be based on no more than a 15% increase of the fair market value of the property within five years, unless there was a change in ownership of the property.
- Exempted 100% of the fair market value of owner-occupied homes from property taxation for public school operations. School revenues lost from the elimination of property taxes on primary residences would be offset by a new 1% state-wide sales tax. (Cone 2016)

State laws to cap local property tax rates and assessed value increases are now commonplace throughout the country, but the total exemption of owner-occupied homes from school operating taxes in South Carolina is outside the norm. Our research has found no other state that has imposed a 100% home value exemption from school operations taxes, although New York, Louisiana and others provide for partial exemptions (Lincoln Institute & George Washington Institute 2022). The exceptional approach to school funding in our state warrants more attention and study, especially regarding public attitudes toward the exemption.

Researchers embarked on a citizen survey to gauge South Carolinians’ awareness and support for exempting most homeowners from paying school taxes. The project seeks to answer two critical questions:

1. First, do SC residents know that most homeowners do not pay property taxes to fund public school operations? South Carolina politicians and business leaders often boast

---

1 Owner-occupied homes are not exempt from property taxes to fund debt obligations for school capital projects, such as a bond referendum passed by the voters. The exemption is specific to school millage for the “operating costs” of schools – including salaries, supplies, overhead – which is the biggest portion of public school expenditures.
of the “low tax” advantages of living in South Carolina, and numerous tax opposition
groups have been vocal in recent decades about their desire to maintain modest
property tax rates in the state. However, research suggests that the average American
is poorly informed on the complex mechanics of existing tax policy (Shanske and
Gamage 2011), even if they may express strong views about possible tax increases
(Slade 2018).

2. Second, what are South Carolinians’ attitudes about school tax funding in general?
Would they support a property or sales tax increase to fund public schools? Do they
prefer one tax mechanism over another? Homeowners of high value properties might
be particularly resistant to property taxes, and older citizens without school-age
children may be less likely to support property taxes for public education. We seek to
uncover the attitudes of the general SC population toward school taxation and
consider how individual characteristics of voters may be associated with tax
opposition or support.

In addition to addressing these core questions, our research seeks to generate some
general policy recommendations to aid local tax collector offices and state representatives in
making tax policy features more understandable and transparent to the citizens they serve.
Regardless of personal views on property taxation, there is a strong case to be made that citizens
need to be informed on how property taxes work to understand the cost of these taxes to their
personal households. Better citizen understanding of property taxes also can help representatives
more clearly demonstrate to their constituents that they are responsive to their tax preferences.
However, if constituents have strong views about property taxation as an issue but are unaware
of their low school tax burden under state law, legislators will not easily be able to claim credit
for either supporting the school tax exemption or advocating for a return of school property taxes
to raise funding for public education. Citizens will not be able to meaningfully evaluate their
representatives’ performance in setting optimal taxation levels if they do not accurately
recognize how low their tax burden currently is.

Tax policy is not an easy or accessible subject, but taxes affect everyone in our society
and provide the resources to fuel our schools and other public services. An informed citizenry is
essential to the health of democratic outcomes in our state. When residents are educated about
state and local taxes they can better connect their policy views to an assessment of the
performance of their public servants in delivering the “will of the people”. They can also better
evaluate how public resources are allocated to critical public services, such as K-12 education.
The researchers hope that by tracking the current awareness and attitudes of South Carolinians
on property tax, their study will lead to enhanced public knowledge on this critical subject.

CITIZEN KNOWLEDGE OF THE SCHOOL TAX EXEMPTION

Citizens are subject to information and cognitive limits that impede their understanding
of tax policy and their ability to accurately assess the costs of taxation to their households
(Congdon 2011, Schenk 2011, Shanske and Gamage 2011, Aradhna and Slemrod 2003). In particular, residents fail to recognize tax exemptions, which erase tax liability rather than exact tax costs (Mettler 2011). While tax exemptions clearly have a significant impact on their tax bills by reducing the amount owed, taxpayers may not always “connect the dots” to notice the tax relief that exemptions provide. In South Carolina, county treasurer and auditor offices are responsible for mailing citizens their annual property tax bills. Copies of these bills are searchable by the general public on databases linked to most county websites. Below is an example of a property tax bill obtained from the Aiken County website (See Figure 1). Although tax bill documents are available publicly, the name and address of the taxpayer on the bill has been redacted as a courtesy.

Figure 1

Obtained from Aiken County Website, “Search and Pay Taxes” https://www.aikencountysctax.com/##/
Note the taxes charged for each taxing jurisdiction are listed on the bill in separate line items to the left under “Breakdown of Taxes”. The school operations property tax is listed as “School Operation” with an amount of $893.77. Directly under this is a line item entitled “School Prop Relief” which shows the previous School Operation line item being canceled out, which is due to the school tax exemption. The exemption also appears on the right under the sub-heading “Taxable Value”, showing how it is deducted from the County/School Tax Total to reflect a lower total due. This bill does make some effort to present the taxes that a homeowner would pay without an exemption, and then presents the exemption savings as “tax relief” which erases the school operation tax charge and reduces the overall tax bill. Although tax bill formats will vary from county to county a quick survey of publicly available property tax collection websites shows that most S.C. counties are presenting the exemption in this way, as an amount subtracted from the overall property tax bill after listing the school tax charge in the tally.

However, an ordinary taxpayer with little knowledge of billing conventions may not easily understand how “School Prop Relief” impacts their final tax bill. The bill does not define what the school property relief is or explain why it has been applied. Homeowners who pay taxes by escrow may not even review their annual tax bill, given that their mortgage servicer remits the tax payment on their behalf (Cabral and Hoxby 2012, Young and Thornburg 2022). Even with the effort taken to show the tax exemption, it is not necessarily clear to many homeowners that they pay no property taxes for school operations. Moreover, citizens may assume taxes paid for school bond debt, also listed on their bill, are used for school operations (paying for salaries, supplies, etc.). However, school bond debt taxes essentially pay back loans borrowed to construct school buildings and other capital projects; these taxes do not fund daily school operations.

Eligible homeowners (virtually all SC residents who reside in a home they own) usually qualify to receive the school tax exemption by applying for a “Special Assessment Ratio” and declaring that the property owned is their “primary residence” (see an example application form for Aiken County, SC at [https://www.aikencountysc.gov/Forms/ASR_SpecialAssessmentRatio.pdf](https://www.aikencountysc.gov/Forms/ASR_SpecialAssessmentRatio.pdf)). However, the homeowner is not expressly applying for the school tax exemption, but rather for a lower residential assessment ratio to be applied when calculating the total local property tax for their home. Upon receiving the special assessment ratio, the homeowner generally then gets the exemption from school tax by default. A homeowner may know that primary residences are assessed at a lower rate than commercial property, without understanding that receiving the special assessment ratio also shields their home completely from school operations property taxes.

Given that the exemption and education sales tax were enacted over a decade ago, and taxpayers face information limits in understanding taxes, it can not be taken for granted that citizens are informed about these tax features. Fifteen years after the state legislature provided homeowners the “gift” of the school tax exemption many South Carolinians may not even be aware of this exceptional tax treatment of residential property.

---

2 The “School Bond Tax Credit” line is particular to Aiken County and is not related to the exemption from school operating costs. South Carolina law allows counties the option of passing a special purpose sales tax to pay debt service on general obligation bonds issued for education capital projects, such as constructing new school buildings. In this bill presentation the taxpayer receives a credit for the school bond debt costs, due to the part of the debt costs funded by the local option sales tax that was approved by Aiken County voters.
CITIZEN ATTITUDES TOWARD SCHOOL PROPERTY TAX

Policy analysts generally regard the property tax as one of the most progressive, transparent, and appropriate means of raising local public revenues (Youngman 2016). It is a stable funding mechanism that provides consistent revenue even during economic downturns, as opposed to sales tax revenues that often decline markedly during periods of economic depression. While property taxes are not popular with citizens, homeowners can demonstrate an understanding of their necessity. Voters in New York referenda regularly approve school budgets which include property tax increases, especially when given the chance to be involved in the budgets’ planning stages (Silverman 2017). Even in states that historically experienced property tax revolts, citizens regularly vote to waive the property tax caps in their school districts (Roscoe 2014). The property tax can be well-tolerated by citizens if they value the services that it is funding.

There is variation in citizen willingness to accept higher property tax rates due to citizens’ varying ideological views about the appropriate scope and size of government. Conservative citizens in “red” states may express less willingness to support property tax increases, given their tendency to hold a “small government” perspective. South Carolina is a case in point. The state population has grown in recent decades largely due to its appeal to retirees who desire to move to a state with less expensive housing and associated tax payments (Horan 2021, SC Department of Commerce 2009). The state has one of the lowest effective property tax rates in the country, with homeowners paying only about 0.5% of a property's market value in property tax per year. As of 2018, only five other states had a lower effective property tax rate (Tax Rates.org 2021). This is largely due to the enactment of the school tax exemption.

Still, research shows that when citizens value the efficiency and effectiveness of the particular service to be funded, they may express more willingness to pay taxes (Glaser and Hildreth 1999) Although they may prefer lower property taxes as a matter of general preference, a tax specified for funding a cherished public service may be more politically acceptable. Citizens may also display willingness to pay taxes in one form, whereas they are less willing to pay them in another. A sales tax increase may be more palatable to citizens than a property tax increase, for instance. When Act 388 was passed in 2006, politicians were operating on that premise; they “swapped” property taxes on homes for a 1% school sales tax which shifted the funding burden away from homeowners specifically and on to all residents more generally (Cone 2016). Listening to the voices of taxpayer associations such as NoHomeTax.org, the state legislature adopted a new sales tax revenue stream for funding public education and diminished the role of residential property tax as a resource for schools.

This exploration brings public opinion data to address questions about the attitudes that South Carolinians have in supporting or opposing property tax as a mechanism for funding K-12 schools. Are SC residents as unwilling to tolerate property tax increases as is sometimes assumed? Are there particular groups of residents that account for the “anti-tax” reputation of the state or is property tax opposition a widely held sentiment among the population? Are residents’ tax attitudes also coupled with a high level of knowledge about the existing school tax exemptions in the state? This project deployed a citizen survey to probe these questions.
METHODS

In summer of 2021 the authors developed and mailed a survey questionnaire to a random sample of 5000 registered South Carolina voters. Invitees were given the option of completing their paper survey and sending it back by mail or completing the survey via a secure web link using a unique token for access. 183 surveys were returned in July and August 2021, with a response rate of about 3.7%. In order to increase the number of returned questionnaires, surveys were mailed to a second wave of 2000 randomly selected registered voters in November of 2021. The response rate was similar at about 3.4%, with 67 surveys returned, making the total number of returned surveys 250. The combined data set was analyzed using Stata, a statistics software. All returned questionnaires and identifying info of respondents is maintained confidentially and is not available to anyone other than the two project researchers, in line with guidelines from the UofSC Internal Review Board.

The response rate suggests some threat of non-response bias. However, response rates of the reputable polling firm Pew Center were only about 6% in 2019 (Kennedy and Hartig 2019). Moreover, the U.S. Census Bureau’s Current Population Survey reported a continued downward decline in response rates during the COVID pandemic (Rothbam and Hokayam 2021). The researchers for this project did take efforts to create incentives and reminders for less engaged voters to participate in the survey. All invitees were informed that they would be entered into a random drawing for five $25 gift cards, as is a recommended practice in the survey administration literature (Heerwegh 2006). Invitees also received a follow-up reminder postcard 7-10 days after the questionnaires were mailed encouraging them to complete the survey.

Although response bias on unobservable characteristics remains a concern with this survey, the researchers weighted the response sample on observed demographics, using South Carolinians registered to vote in 2021 as our population of interest. The sample was weighted to age category, race/ethnicity category, and gender based on summary statistics of South Carolinians registered to vote at the end of 2021. The researchers also weighted the sample to education category (high school or less; some college; college graduate) using 2020 Census estimates of educational attainment among South Carolinians over 18. The analyst used a raking algorithm in Stata to converge on appropriate weights for the sample (Sharot 1986). Table 1 on the next page provides summary statistics of numerous indicators of the sample before and after weighting.
### Table 1

**Descriptive Statistics of Key Indicators**

<table>
<thead>
<tr>
<th></th>
<th>Unweighted</th>
<th>Weighted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender/Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>52%</td>
<td>55%</td>
</tr>
<tr>
<td>Male</td>
<td>48%</td>
<td>45%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Race/Ethnicity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>73%</td>
<td>70%</td>
</tr>
<tr>
<td>Non-Hispanic Black</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>58.4 years</td>
<td>51.5 years</td>
</tr>
<tr>
<td><strong>4 Year College Degree</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>46%</td>
<td>77%</td>
</tr>
<tr>
<td>Yes</td>
<td>54%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Homeownership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeowner</td>
<td>82%</td>
<td>72%</td>
</tr>
<tr>
<td>Renter/Not homeowner</td>
<td>18%</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Home Market Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(if Homeowner)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 400K</td>
<td>71%</td>
<td>83%</td>
</tr>
<tr>
<td>Over 400K</td>
<td>29%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 25K</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>25-50K</td>
<td>20%</td>
<td>27%</td>
</tr>
<tr>
<td>50-75K</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>75-100K</td>
<td>22%</td>
<td>21%</td>
</tr>
<tr>
<td>Over 100K</td>
<td>30%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Partisanship</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republican</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Democrat</td>
<td>33%</td>
<td>31%</td>
</tr>
<tr>
<td>Independent/Other</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Ideology</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conservative</td>
<td>46%</td>
<td>46%</td>
</tr>
<tr>
<td>Moderate</td>
<td>41%</td>
<td>44%</td>
</tr>
<tr>
<td>Liberal</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Retired</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>52%</td>
<td>66%</td>
</tr>
<tr>
<td>Yes</td>
<td>48%</td>
<td>34%</td>
</tr>
<tr>
<td><strong>Child in Public District School</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>83%</td>
<td>75%</td>
</tr>
<tr>
<td>Yes</td>
<td>17%</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Unweighted summary statistics for gender, race, and age are matched directly from the respondents’ records in Catalist voter data file.*
SURVEY FINDINGS ON CITIZEN KNOWLEDGE OF THE SCHOOL TAX EXEMPTION

This survey gave the researchers the ability to directly assess citizen knowledge of the school tax exemption by asking respondents questions to gauge their awareness. Respondents were asked if owner-occupied home taxes fund the operations of schools, if owner-occupied homes are exempt from school operation property taxes, and if current owner-occupied home taxes for schools were too high, about right, or too low. Figures 2 and 3 (below) and Figure 4 (on the following page) display the percentage of the sample who answered for each of the response options in these three questions.

Figure 2

![Respondent Answer When Asked if Owner-Occupied Homes are Exempt from School Operations Tax: Percentages for Each Response Option](image1)

*Question 5: To the best of your knowledge, current South Carolina law exempts owner-occupied homes from being taxed to pay for operating costs of public K-12 schools. (Operating costs include spending on salaries, supplies, and utilities.) Note: “Yes” indicates that the respondent knows there is a home tax exemption

Figure 3

![Respondent Answer When Asked if Home Property Taxes Fund School Operations: Percentage for each Response Option](image2)

*Question 7: To the best of your knowledge, currently in South Carolina the operating costs for public schools are funded through a school property tax on owner-occupied homes. Note: “No” indicates that the respondent knows that school operations are NOT funded by home property tax.*
These figures show that only about 20% of respondents in the weighted sample could correctly answer that homes are exempt from school operation taxes. A large minority think there is no exemption, and even more simply indicate they don’t know. 63% of respondents in the weighted sample think that residential property taxes fund regular school operations, and only 11% are aware that these taxes do not support school operations. It is likely that some respondents are basing their answer on the levy of property taxes to pay debt costs on school bonds in their localities, but the question addressed regular school operating costs and defined this as specific to salaries, supplies, and utilities.

Another finding is that a certain percentage of respondents indicate that taxes on homes to fund school operations are too high, even though almost all homeowners are exempt from paying any school operations tax on their primary residence. See Figure 4 below. Note that one in five of respondents viewed school operations property taxes as too high in the weighted sample.

*Figure 4*

It is important to look further to see if some groups of citizens are more highly informed about the school tax exemption than others. Figure 5 on the following page shows how knowledge levels differ by level of education, income, home value, having a child who attends public schools, and age. Project researchers computed a chi square statistic for each item to test if there is a substantive difference in the knowledge levels of different categories of respondents to the question asked. Note that for most items, all categories of respondents indicate low knowledge of the tax exemption (less than half of respondents in the category answered correctly), and for most items the chi square statistic shows no significant difference in knowledge levels between the categories (most find that p>.05). We do find that retirees are significantly more aware of the tax exemption than non-retirees, but note that a majority of retirees still indicate lack of knowledge of this tax feature.

The general finding that there is little statistically significant difference between unique groups of voters in their awareness of the exemption indicates that South Carolinians are broadly un-informed about homeowners’ exceptionally low property tax burden in funding schools. This
holds for more educated voters as well. It is worth noting that the exemption is not applied to rented homes and other commercial real estate. Business owners, landlords, and renters bear the school property tax burden in our state (Ulbricht and Salzman 2012, Walczak et al 2018) while homeowners pay virtually no property tax to public education, other than school bond taxes. However, the voters in our response sample are not aware of this.

Figure 5

Question 5: To the best of your knowledge, current South Carolina law exempts owner-occupied homes from being taxed to pay for operating costs of public K-12 schools. (Operating costs include spending on salaries, supplies, and utilities.)

*chi square= 6.1996, p<.05
This project also aims to assess the degree to which South Carolinians are aware of the state-wide sales tax for education that was enacted to recoup lost revenues from the school property tax exemption. Results from a question assessing respondent knowledge of this tax are presented below in Figure 6. Note that although the statewide sales tax is visible to a larger share of respondents than was the property tax exemption, not even 2 in 5 survey respondents accurately reported knowing that a set portion of sales tax revenue directly funds the public schools. Residents are mostly unaware that a penny on the dollar of taxes on most non-grocery purchases are dedicated exclusively to public school funding. This means that many homeowners are probably incorrectly assuming that school costs affect their property tax burdens, while failing to see that the greater impact is on the sales taxes they pay.

Figure 6

Question 6: To the best of your knowledge, currently in SC the operating costs for public schools are funded through a one percent state-wide sales tax specified for K-12 public education. Note: “Yes” indicates that the respondent knows that school operations are funded by a statewide sales tax.

SURVEY FINDINGS ON CITIZEN ATTITUDES TOWARD TAX OPTIONS FOR FUNDING SCHOOLS

The goals of this project also include uncovering the attitudes of South Carolinians regarding taxes and school funding, and specifically if home tax opposition is widespread in our state, which is sometimes assumed. When state legislators passed Act 388 in 2006 they often indicated that limiting property tax was a critical issue to their constituents. However, many in the business sector actually disliked the bill because it shifted the school property tax burden largely to commercial real estate and caused customers to pay an additional one cent per dollar on purchases, which could depress retail activity. One Republican co-sponsor of the bill explained his support for Act 388 as follows: “There were a lot more homeowners and a lot more votes when
you tally that voice … it was an issue that needed to be addressed.” (Smith 2015). But sixteen years later is this vocal property tax opposition still prevalent, or was it a product of the particular economic conditions that existed in the mid-aughts?

The questionnaire included several items inquiring about citizen support for raising taxes to fund public schools, including if the respondent would support an increase in residential property tax, sales tax, or other forms of taxation for schools; and a question about which tax mechanism would be their least preferred option for raising revenues. Figures 7 (below) and 8 (next page) show the percentage of total respondents answering for each item.

**Figure 7**

![Graph showing percent of respondents in support of increasing funding for school operations by various tax options](image)

---

**Question 12:** Which of the following would you support increasing to fund K-12 public school operations? (Check ALL that apply.)
Question 13: Of the following three options, which of these would you LEAST want to see increased to fund K-12 public school operations? (Circle Only One)

Clearly, there is little very support for residential property tax, sales tax, or income tax increases though residential property taxes increases are supported with the least frequency. Commercial property tax increases were endorsed a bit more favorably by nearly half the respondents. Nearly a quarter of the sample indicated that they would support no increase for any tax option. Note that this question specified opinions on support for raising these taxes to “fund K-12 public schools”. Even when referencing a widely used government service in the state, respondents overwhelmingly rejected prospective property tax increases. Also note that the largest share of respondents, around 60%, indicated that residential property tax was their least preferred tax option to increase for funding public schools, with only about 30% indicating the sales tax as the least preferred option.

However, there is some indication that residential property tax opposition is expressed disproportionately by particular groups of citizens. Figure 9 on the following page shows the percentages of respondents expressing their least preferred tax option, according to various demographic indicators. Asterisks note a statistically significant difference between categories of respondents. Large majorities of Republicans, conservatives, and homeowners express that residential property tax was their least preferred tax option, significantly more than Democrats, liberals, and renters. 47% of Democrats least prefer sales tax, as do 40% of liberals and 66% of renters. Note that for Democrats and renters, aversion to the sales tax option is in fact higher than aversion for residential property tax. However, on most other indicators, including level of education, income, home value, retiree status, and having a child in public school majorities of each category least prefer residential property tax. The findings here suggest that political views and partisanship does impact support for school property tax, but socio-economic status is not a significant predictor of preference of tax option. However, homeowners clearly see property tax as their least favored option.
See Question 13, previous Figure 5.  *Chi Square = 24.01  ** Chi Square= 17.87  *** Chi Square=51.49.  p<.01
Overall, the data analyzed indicates that SC voters generally express very little appetite for raising taxes to fund schools and are particularly dis-inclined to raise residential property taxes. Nor do the findings indicate that opposition to property tax is confined among wealthy individuals, retirees, or those without children in public schools. Desire to maintain low property tax is a widely felt sentiment. This indicates that Act 388’s provisions do continue to express the “will of the people” overall in the state. The tax limits that the General Assembly enacted in 2006 are in line with the preferences of the majority. Nevertheless, there is a curious lack of awareness among voters in our state that their homes are mostly shielded from school property tax liability, and that they pay little to fund annual school operating costs through their home taxes. While citizens may be satisfied with their current low tax burdens, their opposition to the possibility of future tax increases is based on a low understanding of current tax features. Moreover, they are not informed that they currently pay more in sales taxes for school funding due to the virtual tax-free status of their homes. Also note that for a small group of voters, their tax opposition attitudes may in fact be driven by their incorrect belief that school operating costs are driving up their property tax bills.

POLICY RECOMMENDATIONS

Citizens should be better informed about the current tax-free status of first homes from school taxation for two primary reasons. One, having a clear understanding of this allows them to better assess whether the state legislature’s policy choices are in line with their own. For most SC voters this means that they could be more aware that the current law has addressed their preferences for exceptionally low school-based home taxes. Second, better understanding of the current tax funding mechanisms for education would allow citizens to more accurately evaluate best options for raising revenues for schools. Citizens may prefer one tax option to another without understanding the current costs exacted by those taxes. For example, if citizens believe that property taxes on first homes currently fund public schools, they may instead opt for an increase in sales taxes if extra funds for schools are needed. However, this could result in sub-optimal outcomes with sales taxes being over-extended, especially given that a penny on the dollar is already levied on purchases to fund schools. Voters need good information about taxes in order to arrive at decisions aligned with their fiscal interests and public service needs.

Steps forward include three practical recommendations that could make the existence of the school property tax exemption and education sales tax more transparent to citizens.

- First, county tax offices have an important role in specifying that application for the reduced residential property assessment ratio also provides homeowners with the school tax exemption. This could be expressed up front on county special assessment application forms, which homeowners submit to claim their home as a “primary residence”. Additionally, annual tax bills mailed to homeowners could be formatted to include a short description of the home tax exemption for schools, instead of just listing a line item for a school tax credit on the tax bill. This would enable the taxpayer to better detect the reduction of property tax liability as provided by the school tax exemption.
Second, legislators could explore options for creating programs or training materials to instruct realtors and closing agents on how to clearly explain the school tax exemption to homebuyers at point of purchase. A first-time homebuyer is likely to need this cue at closing to understand that receiving the special assessment ratio also erases their school tax liability. Homebuyers are often supplied the form to claim their home as a “primary residence” at closing, and they may understand that this assesses their home at a lower percentage, while not realizing that this gives them an exemption from home taxes to fund school operations by default. If the closing agent made this clear to homebuyers, it would aid their understanding of how property taxes work in South Carolina.

Third, more consistent itemization of the different portions of sales taxes on receipts for purchases could assist South Carolina consumers in recognizing that one cent on the dollar is levied for public school operations. Retail businesses could be trained or perhaps required to print receipts itemizing the school portion of the sales tax.

Note that these recommendations are modest and simply encourage greater information transparency. Tax policy is complicated, but these are common-sense measures that could enable residents to gain basic knowledge about the taxes they pay or are exempt from paying.

CONCLUSION

This public polling project found low support among SC voters for raising property taxes on homes to fund school operations. However, it also revealed significant information gaps in their knowledge of the current home tax exemption for school operations. Public opinion attitudes are more meaningful and substantive when coupled with high levels of public awareness. Legislators have in fact delivered on citizen preferences by providing exceptionally low home taxes for South Carolina homeowners, especially school taxes. It only makes sense for the citizens to have direct awareness of this. This project indicates that county tax offices and state legislators still have work to do in publicizing the school tax exemption and the one-cent statewide tax for education. As a respondent said in the “comments” section of the questionnaire they completed: “I understand I need to be more knowledgeable about the policies enacted in my area”. Another offered: “This survey was very eye opening in realizing how little I know on the subject. It also made me think that I'm unsure how to learn about this information.”

This project’s researchers are posting this technical report on the webpage of the USC Aiken Social Science and Business Research Lab in hopes that it sheds more light on property tax policy in the state. All survey respondents will receive a postcard directing them to the website to see the results. Project researchers have also created a two-page fact sheet (See Appendix 2) briefly explaining the school tax exemption to residents. The survey findings will
also be made available to any local tax assessor or treasurer’s offices or state legislators who would find it useful.

Project website:
South Carolina School Property Taxes Survey (usca.edu)
https://www.usca.edu/history-political-science-philosophy/opportunities/ssbrl/south-carolina-school-property-taxes-survey

APPENDICES

App. 1: Survey Instrument used in the study
App. 2: Citizen Fact Sheet on school property tax
REFERENCES


Please select the answer that best describes your knowledge and views on tax policy. Your responses will be confidential.

1. How satisfied are you with the K-12 public school system where you live? (Circle ONLY ONE.)

2. How satisfied are you with local government services where you live? (Circle ONLY ONE.)

To the best of your knowledge, current South Carolina law (Check ONLY ONE per row):

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Limits increases in the assessed value of homes for the purposes of tax valuation.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Limits yearly county property tax (millage) increases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Exempts owner-occupied homes from being taxed to pay for operating costs of public K-12 schools. (Operating costs include spending on salaries, supplies, and utilities.)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To the best of your knowledge, currently in South Carolina the operating costs for public schools are funded through which of the following revenue sources (Check ONLY ONE per row):

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. A one percent state-wide sales tax specified for K-12 public education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. School property tax on owner-occupied homes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. School property tax on business/commercial property (includes rental homes)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Indicate your opinion on the amount that residents are currently taxed, if any, to fund public school operating costs (Check ONLY ONE per row):

<table>
<thead>
<tr>
<th></th>
<th>Too High</th>
<th>About Right</th>
<th>Too Low</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. A one percent statewide sales tax specified for K-12 public education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. School property tax on owner-occupied homes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. School property tax on business/commercial property (includes rental homes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. Which of the following would you support increasing to fund K-12 public school operations? (Check ALL that apply.)
   __Sales tax   __Property tax on primary residence   __Property tax on commercial property
   __State income tax  __None of these

13. Of the following three options, which of these would you LEAST want to see increased to fund K-12 public school operations? (Circle ONLY ONE.)
   a. Sales tax      b. Property tax on owner-occupied homes      c. Property tax on business/commercial property

14. Indicate ways you have participated to voice your preferences on state/local tax policy (Check ALL that apply):
   - Participated in a tax-payer association
   - Participated in a group advocating for more tax funding to K-12 public education
   - Attended a school board meeting about changing tax rates to fund education
   - Voted in a referendum about state or local tax limits or increases
   - Contacted your state or local elected officials to express your views on tax policy
   - Other. Please list. ___________________________________________________________
   - Have not participated

15. How important is staying informed on your local public school property tax rate to you? (Circle ONLY ONE.)
   a. Extremely important      b. Important      c. Somewhat important      d. Not important
16. How many cents of every tax dollar that goes to the K-12 public schools would you say is used efficiently? (Indicate from 0 to 100) ______ cents

17. What is your county of residence? List here. ____________________

18. What is your city/town of residence? (if applicable) List here. ____________________

19. What is your gender?
   a. Male      b. Female      c. Other _________

20. How would you describe yourself?

21. What is your age? _______ years

22. What is your highest level of education?
   a. Less than High School Diploma  b. High School Graduate/GED  c. Some College
      d. Two-year Degree  e. Four-year Degree  f. Post-graduate

23. How would you describe yourself?
   a. Strong Democrat   b. Leaning Democrat   c. Independent   d. Leaning Republican   e. Strong Republican
      f. Other ____________

24. How would you describe your political ideology?
   a. Conservative  b. Moderate  c. Liberal  d. Other ____________

25. Check ALL that apply:
   □ I rent the current home/apartment that I live in.
   □ I own the current home/apartment that I live in.
   □ I own a home/apartment in South Carolina that I rent out.
   □ I own other real commercial property in South Carolina.

26. How many years have you lived in your current home? ______ years

27. If you are a home-owner, does your regular monthly mortgage payment include payments for home property taxes?
   a. Yes, my taxes are included in mortgage payment  b. No, I have a mortgage but taxes are paid separately
      c. I do NOT have a mortgage; taxes paid separately

28. If you are a home-owner, do you receive the special 4% property tax assessment ratio for your primary residence?
   a. Yes  b. No  c. Don’t Know

29. Do you have at least one school-age child? (4K to Grade 12).
   a. Yes  b. No

30. If yes, check ALL that apply:
   □ At least one child is enrolled in a public district school (In-person or remote due to pandemic)
   □ At least one child is enrolled in a private school (In-person or remote due to pandemic)
   □ At least one child is enrolled in a public charter school (In-person or remote, including SC Virtual Charter School)
   □ At least one child is home-schooled instead of being enrolled in a district, private, or charter school

31. How long have you been a resident of the state of South Carolina? ________ years

32. Are you retired?  a. Yes  b. No

33. If you are a home-owner, what is your best estimate of the current market value of your primary home of residence?
   a. Under $100,000   b.$100,000-199,999   c.$200,000-299,999   d.$300,000-399,999   e. Over $400,000

34. What is your average yearly household income?
   a. Less than $25,000   b. $25,000 to $49,999   c. $50,000 to $74,999
   d. $75,000 to $99,999  e. $100,000+

35. Please use the space below for additional comments you would like to provide related to school tax policy:
South Carolina School Property Taxes: Did You Know?

School property tax is a complicated subject that many residents do not fully understand. South Carolina’s school property tax system is unique among the American states. Read on to learn about some of its particular aspects.

1: Most home-owners do not pay property taxes on their primary residence for the regular operating costs of public school in South Carolina. In 2006 the SC Legislature passed Act 388, an overhaul of the state’s property tax laws. One of its key provisions was a 100% exemption on the market value of owner-occupied homes from the school property tax (also called school operating millage). Since 2006 most home-owners bear no obligations to pay school operating millage on properties they occupy as their primary residence. As a result, South Carolina has one of the lowest effective tax rates on owner-occupied residential property among the 50 states (Lincoln Institute for Land Policy 2021, 8).

2: To make up for losses in school property tax revenue, the state legislature instituted a 1% state-wide sales tax to help fund public school districts. The 1% sales tax is assessed widely on a range of consumer goods. It originally included taxes on food, but in the years since 2006 the state legislature acted to exclude groceries and other consumer items (Walczak et al 2018, 107). All residents pay the same state sales tax rate, but lower income residents generally pay a higher share of their overall income in sales taxes than do higher income residents.

3: During the years following the Great Recession, revenues from the 1% state-wide sales tax failed to fully compensate many school districts for lost residential property tax revenues. This was because consumer activity, which generates sales tax revenue, significantly decreased when the economy tanked during the Great Recession. Clemson researchers Holley Ulbricht and Ellen Saltzman found that many school districts received less combined state/local funding per pupil in the three years after Act 388 was implemented. Other school districts initially received a boost in state funding through provisions added to Act 388 (Ulbricht and Saltzman 2012, iii and 22-24). In more recent years a growing number of school district leaders have voiced concerns about the resource limitations that Act 388 imposes on their districts (Kreber 2018, Summers 2018).

Do you still have questions about the school property tax?

Wait a minute, didn’t I pay property taxes on my home to build that new school?

Some counties and school districts do tax owner-occupied homes to pay debt costs for capital projects related to schools. Act 388 exempted home value from being taxed to pay operating costs of schools – staff salaries, supplies, overhead – but did not eliminate property tax to pay the debt obligations on bonds issued to build public school facilities. (Salazar and Saltzman 2013). Counties can still levy these sorts of school property taxes when approved via the voters in a referendum. However, these school debt-related property taxes are usually much lower than the school operating millage previously levied on owner-occupied homes (SC Association of Counties 2020).

I am a business owner! I know I pay school millage on my commercial property.

Act 388 did NOT exempt commercial property from school millage. Homes that are rented are considered to be commercial property and are therefore not exempt from property tax for schools. Neither is property for small businesses or much industrial property. One of the impacts of Act 388 is that it significantly shifted the property tax burden for school millage on to business-owners and firms (Ulbricht and Saltzman 2012, 17; Walczak et al 2018).
But I am a renter, so do these property tax laws really affect me?

Commercial rental homes are not exempt from school tax, and landlords and real estate firms likely pass property tax costs on to the tenant in the price they charge for monthly rent in order to make a profit from their leased properties (Bell 2017). A 2021 report of the Lincoln Institute for Land Policy found evidence that South Carolina apartments, which are often rented, are taxed 2.5 to 3.5 times more than owner-occupied homes. **Renters indirectly pay school millage tax, and likely bear a higher burden for this tax than occupying home-owners.**

I don’t recall applying for a school millage exemption on the home I own.

In SC owners of “legal residence” (owners who occupy their home) can apply for a reduced “special assessment ratio” on their homes for local property taxes (county and municipal). If approved, their home values are only assessed at 4%, instead of 6%. Real estate agents often advise buyers of homes to apply for this special assessment ratio, and most home-owners probably do so and receive the exemption. **In general, a home-owner who qualifies for the special 4% ratio automatically receives the school tax exemption as well, often without even knowing it, because it usually requires no additional action on the part of the home-owner. Those who receive the special assessment ratio are exempt from the school operating portion of local property tax millage by default.**

In summary....

Many home-owners are concerned that school home taxes are too high, but due to Act 388, most home-owners do not pay property taxes to fund the regular operating costs of public schools. Others are concerned that schools need more resources and want school taxes on owner-occupied homes raised, but under Act 388 this is not easy to do. Regardless of their view on this issue, it is important for residents to understand how the current tax system operates in order to better advocate for their preferred position.

Sources

- South Carolina Association of Counties. 2020. “South Carolina Property Tax Rates by County, December 2020”

Survey results are still to come....

Thanks to everyone who submitted their responses to our confidential survey through mail or the online portal. Please check back on the website of the U of SC Aiken Social Science and Business Research Lab for findings from our survey analysis in the coming months. [https://www.usca.edu/history-political-science-philosophy/opportunities/ssbrl](https://www.usca.edu/history-political-science-philosophy/opportunities/ssbrl)

Research Team:

- Dr. Sarah Young, Assistant Professor of Political Science, U of SC Aiken
- Dr. Matthew Thornburg, Associate Professor of Political Science, U of SC Aiken
- Wilson Steinmeyer, Student Research Assistant, U of SC Aiken (graduating Spring 2022)