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Subject: SALT & REaltor's LSs: Tax Laws for vacation rentals take effect immediately

New S.C. tax laws for vacation rentals take effect immediately



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Owner-occupied homes in desirable vacation destinations such as Isle of Palms, shown here, can now be rented for up to 72 days per year and still maintain the tax status of a primary residence. FILE

South Carolina property owners who rent their homes to vacationers will face more tax-related scrutiny under one new state law, but some could see big tax savings under another new law.

The impacts will mostly play out in beach communities where such rental properties are plentiful.

The added scrutiny, which could come with new fines and penalties, involves the sales and accommodations taxes that property owners must collect if they rent out their homes. On Isle of Palms, for example, seven different sales and accommodations taxes add 12.5 percent to the rental cost, and town administrator Linda Tucker said it's challenging to make sure the taxes are properly collected and reported.

"It has been a struggle, over the years, to reconcile the numbers," she said. "The Fairness in Lodging Act, we

were very happy to see that go through."

The Fairness in Lodging Act allows municipalities to create penalties for failure to collect accommodations taxes, and requires the S.C. Department of Revenue to share more information with towns and cities that could help identify property owners that aren't following the rules.

The information, Tucker said, will also help towns sort out problems that can happen when the taxes are collected, but are turned over to the wrong government.

Another new law could mean large tax savings for some property owners, those who rent out their residences to vacationers for most of the summer. People in South Carolina can now rent out their homes for up to 72 days yearly while still paying property taxes at the "owner-occupied" rate.

Previously, homes rented for more than 14 days were taxed at commercial property rates, which can roughly triple property tax bills.

"I think the number of people who would fall in that category, of living in their home most of the year and renting it out for some weeks, is pretty small right now," Tucker said.

Lawmakers supporting the law said some homeowners needed the ability to rent out their homes for the summer, without taking a property tax hit, because they needed rental income to pay the high insurance and tax costs associated with homes at the beach.

Charleston County Assessor Toy Glennon said property owners who rent out their residences for 72 days or less should immediately file the paperwork to claim the "owner-occupied" tax rate. Property owners need to apply for the low tax rate, and prove that the property is their primary residents.

"We will have a process and strategy in place for identifying as many affected owners as possible within a few weeks," she said. "In the meantime, if an owner has been denied legal residence (tax rates) due to renting more than 14 days, they can certainly reapply, and should do so as soon as possible."

Someone who rented out their home for more than 14 days last year would continue to be taxed as if they own a commercial property until they file an application for the lower tax rate.

The new 72-rule makes it more financially appealing for a property owner in a tourist-heavy area to consider renting out their home, but they would have to meet local regulations as well.

A business license may be required, and many towns and cities have extra regulations dealing with vacation rentals.

In Charleston, for example, short-term rentals are only allowed if a property meets strict accommodations use rules. However, a residence could be rented for a minimum of one month at a time without needing approval as an accommodations use, city Zoning Administrator Lee Batchelder said.

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