Understanding Fee In Lieu of Tax (FILOT)

Presentation to Council's Public Communication Forum

November, 2024

Proposed Agenda

I. Introduction

II. Property Tax

III. Fee-in-Lieu of Property Tax (FILOT) Incentive

IV. FILOT Use

V. GADC

Investment in jobs and capital

A continual flow of new jobs and new investment is needed just to maintain the current economic living standard of a community

- Established population grows annually
- Established target sector business and industry must replenish their contracts
- Loss of business (contract) requires replacement

Jobs and Investment recruiting is highly competitive

- Greenville County competes nationally
- Greenville based national businesses compete with other divisions
- Confidentiality during the negotiation/finalization

Property Tax

History

- 1. Reconstruction and the Textile Industry (constitutional ad valorem for industrial of 10.5%)
  2. Greenville County became a textile manufacturing equipment center up to 1960-70's
  3. Present day Greenville County landscape

How It Is Calculated

- Value x Millage x Assessment Ratio = Property Tax

- Assessment Ratio
  - Residential Occupied = 4%*
  - **Manufacturing** = **10.5**%**
  - Commercial = 6%

* State Schools Tax Credit (50%) not included (ACT 388)
** State Legislative has temporary reduction in effect

Property Tax

Within SC – Millage Comparison of Major Metro Counties

- Greenville, Spartanburg, Anderson – .3000’s
- Charleston, Dorchester - .3000’s
- Richland, Lexington – high .4000’s to low .6000’s

Source: GADC Online Research

Property Tax

Property Tax Comparison | SC vs Georgia and North Carolina

Residential		
City/State	Rank	Tax Rate
ATL - GA	38	.89%
CLT - NC	41	.85%
CHS - SC*	52	.49

52nd lowest in the county

Industrial		
City/State	Rank	Tax Rate
CHS – SC*	5	2.29%
ATL - GA	23	1.41%
CLT - NC	45	.72%

5th Highest in the county

- Source: 2021 50 State Tax Comparison – Lincoln Institute & Minnesota Center for Fiscal Excellence
- Charleston (CHS) is used as the largest MSA in South Carolina, followed by Greenville-Anderson the property tax rates are roughly equal

FILOT

What is It?

- Fee In Lieu of Tax – converts ad valorem tax to a fee (State Law 1976)
  - Negotiated
  - No upfront cash, reduces future property taxes

- Local property tax incentive
  - Versus state incentive like job tax credits, etc.

- Restricted by state law and County Council

FILOT

What is It?

- Value x Millage x Assessment Ratio = Property Tax
- 30-Year Locked* Value x 30-Year Locked Millage x Lowered Assessment Ratio = FILOT
- Applies to any investment company makes the year the Ordinance is passed plus 5 more

*Real Property Only; Personal Property (Machinery) Depreciates

FILOT

Manufacturing Building (Real Property) Example:

- 30-Year Locked Value x 30-Year Locked Millage x Lowered Assessment Ratio = FILOT

  $2.5 Million at 10.5% with millage .3232 = $84,840
  $2.5 Million at 6% with millage .3232 = $48,480
  1 Year Difference: $36,360

- Millage increases have averaged 1-1.5% annually (3 mils)
- $2.5M home = Tax of $32,320*

*Doesn't include 50% School Tax Credit; Bill is actually $16,160

FILOT

Why? For Companies

- Property tax is a significant ongoing cost consideration
- Industrial Property tax is also the highest in South Carolina compared to other states competing states (GA, NC, TN, FL)
- In a FILOT, industrial property tax rates are leveled to match the rate at which our competing states (GA, NC, TN, FL) provide (4-6%), they also provide companies access to other state incentives.

FILOT

Key Points

- Negotiated; Investment must be minimum of $2.5 Million (Table of Parameters) or greater and must be competitive. There is no cash, it is only a reduction of future property tax.
- GADC does due diligence and determines economic fit
- Monitored annually by County Auditor, SC Dept. of Revenue, and GADC
- Contractual commitment required with penalties for failure, forfeiture of FILOT agreement, and attorney fees
- A FILOT ensures that County receives revenues in Years 1-5 (vs Manufacturer’s Abatement (SC))

FILOT Use

Why Confidentiality?

- SEC Disclosure Requirements if Publicly Traded
- Union Avoidance
- Potential Facility Closure
- Employee Relocation Issues
- Competition and Speed-to-Market
- Other Incentive Granting Agencies

FILOT Use

GADC - Greenville County Track Record

- FILOT Revenues Increased Significantly
  - $18.8 Million (2014) to $32.5 Million (2023)

- Very Few Contract Defaults or Failures (.5%)

- Continued Diversification of Economic Base

- Target Sectors; Advanced Manufacturing, Automotive, Aviation/Aerospace, Life Sciences, Tech / Research & Development

GADC

Greenville Area Development Corporation

- Created by County Council in 2001
  - Non-profit arm controlled by elected council members (table of parameters, bylaws, board of directors)
  - Council Chair/Vice Chair & Auditor are board members, others are citizens appointed by Council w/term limits
  - Mission is competitive economic development / no political involvement
- GADC Recruitment/Retention Function
  - Prohibits pay for play / invites active participation by all
  - No “insider information” / board members not privy to negotiation information
  - County funds operation from general fund (no county staff used)

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Questions?

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