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## THE DEVELOPMENT OF TAX EXEMPTION IN SOUTH CAROLINA

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With the rapid growth of taxation in the United States, removal of property from the tax base has become a factor of increasing importance. The purpose of this study is to examine chronologically the development of exemption from property taxes in the state of South Carolina.

The history of taxation in South Carolina falls into three well defined periods, each having its distinctive features. The first period covers the colonial era, ending in 1778 when the state constitution was formulated. The second period of South Carolina's financial history closes in 1868 when the new post-war constitution was adopted. The third period comprises the history of South Carolina since 1868.

### 1. THE COLONIAL ERA

In 1663 Charles II granted the lands known as Carolina to eight of his friends as "absolute lords and proprietors". Two years later the charter was renewed and enlarged, and John Locke was employed to frame a constitution. This constitution, completed in 1670, showed the stamp and character of the proprietors in providing a palatine for life and a body of hereditary provincial nobility.<sup>1</sup> A yearly quit rent of one English penny for each acre of land was to be paid by each freeholder to the proprietors or their successors, as a "chief rent and acknowledgment", payment to begin in 1689. The portion of the lands set aside for settlers was parcelled out, 150 acres to each settler arriving before 1670, plus an additional allowance for each servant. Those arriving later received smaller quantities. These fundamental constitutions never went into effect in their entirety, but they formed the basic law until 1693 when they were set aside in an attempt to eliminate popular discontent.

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1. See JUDGE BREVARD'S "OBSERVATIONS ON THE LEGISLATIVE HISTORY OF SOUTH CAROLINA," BREVARD'S DIGEST (1814), p. X, in Vol. I of STATUTES AT LARGE, OF S. C., Columbia, 1836; pp. 425 *et seq.*

The first tax of record was levied in 1685,<sup>2</sup> upon all inhabitants "according to their several estates, stores and abilities, and according to the profits indifferently computed of every pulicque officer, arising from, or by his respective office or any other imployment whatsoever." Seamen were excepted, probably either because they had not become residents of the colony and hence did not own property to be protected by the government against Spaniards and Indians, or because they might change their residence if taxed. The early taxes were levied, for the most part, to meet the costs of protection,<sup>3</sup> and the first issue of bills of credit (1702) was also for this purpose.

In 1698 a law<sup>4</sup> was enacted providing that the captain of any vessel entering a Carolina port, creek or harbor, must pay a half pound of "good and clean serviceable gunpowder" for each ton of capacity of the vessel, or in lieu thereof five shillings in silver per ton. "All ships and vessels that are or shall be hereafter built and do belong to this Province, shall be wholly exempted" from payment of this tax. This provision is an early instance of an attempt to stimulate the building and owning of vessels by people of Carolina.

The revenue act of 1703<sup>5</sup> provided a discount for prompt payment of taxes, the discount being approximately equal to interest on the amount paid until the final date for paying the tax.

An act of the same year<sup>6</sup> corrected a misinterpretation of the revenue statute by assessors who had been returning "the crop of persons living within their division, contrary to the true intent and meaning of the said Act". This provision is an early indication of the desire to avoid what was considered to be double taxation, taxing both the land and the crops produced thereon. In 1704 provision was made to ensure taxation of only that part of crops that was to be disposed of, not the portion retained for plantation or family use.<sup>7</sup>

In Locke's Constitution the attempt had been made to establish the Church of England as the "state" church.<sup>8</sup> This ef-

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2. STATUTES AT LARGE, Vol. II, p. 16.

3. See, for example, the revenue acts of 1686, 1698, STATUTES AT LARGE, Vol. II, pp. 23 and 150.

4. *Ibid.*, pp. 150-151.

5. *Ibid.*, Vol. II, p. 209.

6. *Ibid.*, p. 231.

7. *Ibid.*, p. 263.

8. 96th Article. See STATUTES AT LARGE, Vol. I, p. 53.

fort was continued until 1704 when success was achieved.<sup>9</sup> An act of that year established the Episcopal Church, and provided for the construction of church buildings in each of the ten parishes into which the colony was divided. The costs, above the amount donated, were to be met out of the public treasury, as was also a specified sum for ministerial salaries. The fact that the Church was a public institution in Carolina helps to explain non-taxation of church property in post-Revolutionary times.

Early attempts to stimulate industrial undertakings usually took the form of a direct subsidy rather than tax exemption. Thus in 1707 a subsidy was provided for encouraging the making of potash and saltpeter, because of their "great benefit and profit to this Province."<sup>10</sup>

In 1708 an act<sup>11</sup> provided that immigrants coming from Germany be exempted from the payment of quit rents, on 100 acres per person, for the first ten years after taking up land in the colony. This exemption, expanded to include all immigrants, remained on the statute books until as late as 1765.<sup>12</sup> It applied to land and poll taxes only. The purpose of the provision, as stated in the act, was to encourage new settlers to come to South Carolina and help develop the resources and help protect the colony from Spaniards and Indians.

In 1715 provision was made for exempting from taxation the "real estate of such of the inhabitants of this Province as by the chance of the war are drove from the same."<sup>13</sup> This measure was no doubt one of expediency as well as charity. The same act provided that "if any person's estate is so mean that . . . such person's tax will not amount to two shillings and six pence" it was not to be assessed. This provision constitutes the beginning of the exemption of a minimum amount of property for social and administrative reasons, in Carolina.<sup>14</sup>

As the years passed, revenue measures became more detailed in providing the types of property that were to be taxed and the general criteria by which tax-paying ability was to

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9. STATUTES AT LARGE, Vol. II, pp. 236-246.

10. *Ibid.*, p. 307.

11. *Ibid.*, Vol. I, p. 429.

12. STATUTES AT LARGE, Vol. IV, p. 214.

13. *Ibid.*, Vol. II, p. 628.

14. In 1716 the minimum was placed at "4 royals per annum". STATUTES AT LARGE, Vol. II, p. 672.

be judged. Beginning in 1716<sup>15</sup> provision was made for levying on the merchants and other inhabitants of Charlestown a specified part of the total revenue to be collected, the remainder to be assessed upon the lands and negroes belonging to people outside of Charlestown. It was recognized that the tax-paying ability of the inhabitants of the city must be determined by the use of other criteria than ownership of land and slaves.<sup>16</sup> Goods held by factors, on consignment from Great Britain or elsewhere, were not to be taxed; and exception was also made of the "effects of such transient persons as have not resided within this Province for three months before such inquisition shall begin to be made."<sup>17</sup> Thus the attempt was made to confine taxable property to that owned by people who had lived in the colony long enough to be treated as residents. These provisions—relating to goods held by factors, and to the three months residence period—were carried along in the revenue acts that followed, until the Revolutionary War period.<sup>18</sup>

No new tax exemptions appeared during the remainder of the proprietary period, although the old exemptions were continued. Thus in a rather primitive society, where relatively little revenue was needed, were planted the seeds of tax exemption which later, when large revenues were needed and property was more carefully evaluated, developed into problems large enough to attract attention. This early period witnessed the granting of exemption favors to churches (i.e., the established church as public property), to immigrants as a means of encouraging settlement, to the home ship-building industry, to tax-payers who paid their taxes early, to others for the purpose of avoiding certain forms of double taxation, and to individuals who were considered too poor to pay taxes.

In 1721 the King, after having paid the proprietors a substantial sum, assumed direct control of Carolina, and divided

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15. STATUTES AT LARGE, Vol. II, p. 666.

16. STATUTES AT LARGE, Vol. II, p. 667. This section begins with the words: "Whereas the several estates, interests and effects of the merchants and other inhabitants, of Charlestown consist mostly in town lots and the messuages, tenements, buildings, and improvements thereon, and also in goods, wares and merchandizes, ready money, etc., whereby according to the foregoing method for the raising the said tax on lands and negroes only the said merchants and other inhabitants of Charlestown would be in a great measure exempted from paying their proportionable part of the said tax . . ."

17. *Ibid.*, p. 668.

18. See, for example, the revenue act of 1767, in STATUTES AT LARGE, Vol. IV, p. 273.

it into the north and south colonies. No significant change was made in the tax system. Revenue to be raised was apportioned; usually one-sixth of the total was levied on the inhabitants of Charlestown, and the other five-sixths on land and slaves belonging to people outside the city. The early tax on skins and furs still produced some revenue, and both import and export duties were being developed. Provision was often made for the payment of taxes in current bills or in rice. In 1725 an attempt was made to discourage the holding of large tracts of unimproved lands, and to encourage immigration of white settlers, by requiring each land-owner to furnish one properly accoutered militia man (indentured servant) for each two thousand acres held, such man to appear in the militia once every six months. Any person who owned less than two thousand acres of land, and yet kept a white servant (imported after passage of the act), was exempted from paying tax on his land. In fact any one who kept a white servant, beyond the number required, was granted an exemption of a part of his land tax.<sup>19</sup>

By 1733 town lots outside of Charlestown were exempted from the general land tax and were assessed separately according to their sale value<sup>20</sup>—evidence of growing complications in the assessment of property. After 1738 the capitation tax on slaves was always equal to the tax per one hundred acres of land (except town lots).

The first statutory provision for the exemption of church property, other than that of the established church which was public property, appeared in 1739. The phrasing of this section suggests that recognition was being formally given to a practice that already existed and probably had existed from the beginning. This portion of the statute is in parentheses, and reads: "lands whereon any churches or other buildings for divine worship or for free schools are erected or built, and lands appurtenant to such churches or buildings and free schools, and all slaves appurtenant to or going with such churches, buildings or lands, always excepted."<sup>21</sup> In granting this favor to churches and free schools the colonists were expressing the traditional belief that public services were performed by such institutions and their work should be encour-

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19. STATUTES AT LARGE, Vol. III, pp. 255-256.

20. *Ibid.*, p. 352.

21. *Ibid.*, p. 528.

aged. An established church being in existence, whose functions must have been considered properly governmental, it is easy to understand the attitude that other churches also were performing governmental functions and should not be taxed.

The favor to free schools, in the act of 1739, is the earliest recorded case of this type of exemption in South Carolina. Leaders in the colony had been successful in interesting some of the wealthier people in the need for free schools, and several such institutions had been established before 1739. Two had been organized before 1712, and in that year the assembly had passed its first act for the encouragement of learning, which the following year gave place to a more comprehensive act providing for the organization of a free school in Charlestown.<sup>22</sup> Ramsay tells of the establishment of free schools in Childsbury and Dorchester in 1733 and 1734, and adds: "The corporations of these several free schools were cherished by government."<sup>23</sup> In 1737 the first of a number of societies whose purpose was to foster education was formed. It was known as the South Carolina Society; and it functioned as an unincorporated association until 1751. These activities in the field of education during the 1730's explain the inclusion of free schools among the recipients of tax exemption favors in the act of 1739.

In 1758 several new taxes were included in the revenue act. Among them was a tax of two shillings six pence per head on black cattle "raised, marked, branded or sold by any person in one year." An exemption of thirty calves was allowed.<sup>24</sup> Historians of that period comment on the fact that parts of Carolina, such as the Pedee district, were overstocked with cattle. Beginning in 1757 large herds were driven into Georgia and there herded by "cow-pen keepers". These cow-pen keepers determined the number of their stocks by the number of calves which they marked every spring and fall. If one marked three hundred calves per annum he reckoned his stock to consist of four hundred heifers, five hundred cows, and three hundred steers, a total of fifteen hundred head.<sup>25</sup> The exemp-

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22. See EDWARD MCCRADY'S *THE HISTORY OF SOUTH CAROLINA UNDER THE ROYAL GOVERNMENT*; (Macmillan, N. Y., 1899); Chap. XXV.

23. RAMSEY, *THE HISTORY OF SOUTH CAROLINA*, Published by David Longworth, for the author; Charlestown, 1809; Vol. II, p. 357.

24. *STATUTES AT LARGE*, Vol. IV, p. 54.

25. GREGG, *HISTORY OF THE OLD CHERAWS*, (Richardson & Co., New York, 1867).

tion of thirty calves is a similar rough calculation of a minimum exemption of cattle from taxation.

By 1758 the idea of *charities* had become separated from that of religion. Any "lands, houses or monies set apart for pious or charitable uses" were exempt from taxation in the act of that year.<sup>26</sup>

The revenue law of 1760 included a tax on "all profits of all faculties, professions (clergy excepted), factorage and handicraft trades."<sup>27</sup> This exemption granted to clergymen constituted another step in the recognition of the church as performing a governmental function. Early writers speak of the dearth of preachers in the colony, and every favor granted to these people encouraged them to come to South Carolina. The exemption was a means of increasing the real salaries of clergymen without directly dipping into the public treasury. The provision was continued until the Civil War period.

In the act of 1778, lands "now belonging to any free Indians in amity with this State" were exempted from taxation. This exemption provision did not appear in later revenue acts. It was a recognition of the friendship of certain Indians during the Revolutionary War.

In the same revenue act appears the first instance of discrimination against absentee land-owners. They were to be doubly taxed. Later this provision was reformulated, and for a time land-owners who lived outside the United States were taxed three times the regular amount. The act is mentioned here because of the exemption of minors who returned to South Carolina within one year after becoming twenty-one years old, and of people absent in the service of the United States or the State.<sup>28</sup> The exemption of minors was necessary because the wealthier families were educating their sons in England. The provisions of this act were continued until about 1850.

The history of South Carolina under the royal government contains few exemptions that had not been started during the preceding period. The exemption to land-owners who kept a greater number of white servants than the law required, the exemption of property of churches other than the established church, the exemption granted to free schools, to clergy-

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26. STATUTES AT LARGE, Vol. IV, p. 58.

27. STATUTES AT LARGE, Vol. IV, p. 129.

28. *Ibid.*, Vol. IV, p. 413.



men, to charities, and to certain friendly Indians, comprise the important ones.

## 2. FROM BEGINNING OF STATEHOOD THROUGH THE CIVIL WAR

The change from colonial status to that of a state brought about no very drastic changes in methods of taxation in South Carolina. The temporary constitution of 1776 contained no taxation provisions. The more permanent constitutions of 1778 and 1790 included very few. The established church was swept away, and the "Christian Protestant religion" was declared to be the established religion of the state.<sup>29</sup> No person was to be obliged to pay towards the support of a religious institution in which he did not freely worship; but of course indirectly all tax-payers did so pay, since church property was exempt from taxation. Ministers and preachers were not eligible to hold any of the higher state offices, their lives being dedicated "to the service of God and the cure of souls, and ought not to be diverted" therefrom.<sup>30</sup> All churches were put on an even footing, except that the Episcopal Church retained the property that had been given it by the public while it had been the established church. Church property and clergymen continued to be favored with exemption from taxation.<sup>31</sup>

Manufacturing had been started, on a small scale, before the War; and it was encouraged by the government after the end of hostilities. This encouragement, however, took the form of direct subsidy; and tax exemption for such purpose was not used until 1823. Ramsay speaks of the resumption of flour production soon after the War.<sup>32</sup> He also says that the first iron works in South Carolina were established in 1773; and that, after having been destroyed during the War, they were rebuilt in 1783.<sup>33</sup> One of the difficulties that faced the Carolinians during the War was shortage of salt. Swift sailing vessels were set aside by the state for the purpose of importing this commodity from Bermuda. In 1776 government re-

29. CONSTITUTION OF 1778, ART. XXXVIII. This provision was entirely eliminated in the constitution of 1790.

30. *Ibid.*, Art. XXI.

31. In 1784 the statute read: "lands whereon any churches or other buildings for divine worship, or free schools, are erected or built, and all slaves appurtenant to or going with such churches or lands, and all moneys appropriated for charitable uses always excepted." STATUTES AT LARGE, Vol. IV, p. 629.

32. RAMSAY, *op. cit.*, p. 216.

33. *Ibid.*, p. 602.

sources were provided for developing public salt works<sup>34</sup> and public nitre works;<sup>35</sup> and assistance was given to certain individuals who were manufacturing gunpowder.<sup>36</sup>

Several minor exemptions from taxation made their first appearance during the next few decades. Money loaned to the state or to the United States was to be exempt from the tax on credits.<sup>37</sup> "Instructors of youth in the liberal arts and sciences" were exempted, along with the clergy, from the tax on professions.<sup>37</sup>

In 1783 provision was made for exempting from taxation "all minors whose fathers and all widows whose husbands have lost their lives, and those persons who have been maimed or disabled" during the War, provided the value of their estates did not exceed one thousand pounds sterling.<sup>38</sup> This exemption was, of course, an aftermath of the War.

In the act of 1785 "wagons, carts, and drays" were exempted from taxation, in the section with the property of churches and free schools and moneys appropriated for charitable uses.<sup>39</sup> In the same year a society was incorporated to promote the interests of agriculture, through experimentation on special farms. These two events indicate a growing interest in the encouragement of agriculture.

With the increase of manufactures during the period following the Revolution, especially those of iron,<sup>40</sup> a scarcity of mechanics was noticeable. Most of the farming utensils were now being made in the colony; and the common plantation tools were being made by local blacksmiths. The first act exempting mechanics from the tax on faculties and professions was passed in 1790;<sup>41</sup> and this provision was retained until the Civil War.

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34. JOURNAL OF THE PROVINCIAL CONGRESS OF SOUTH CAROLINA 1776, (Picadilly, London, 1776); p. 86. This case, however, is not the first instance of governmental aid to salt production. See JOURNAL OF THE COMMONS HOUSE OF ASSEMBLY OF SOUTH CAROLINA, 1696, (The Historical Commission of S. C., Columbia, 1908); p. 20.

35. JOURNAL OF PROVINCIAL CONGRESS OF S. C., 1776; p. 80.

36. *Ibid.*, p. 93.

37. STATUTES AT LARGE, Vol. IV, p. 487, for the year 1779.

38. *Ibid.*, Vol. IV, p. 529.

39. *Ibid.*, p. 693.

40. RAMSAY, *op. cit.*, p. 583.

41. STATUTES AT LARGE, Vol. V, p. 150. See also PROCEEDINGS OF THE CONSTITUTIONAL CONVENTION OF SOUTH CAROLINA, 1868; Reported by J. Woodruff; Printed by Denny & Perry; Charleston, 1868; pp. 797-798; where mention is made of a circular addressed to members of the legislature in 1865 which describes the serious need that has been felt in

Beginning with the act of 1793<sup>42</sup> the property of the South Carolina Society was specifically exempted from taxation, and mention was made of the fact that the property of this society had been taxed under a mistaken interpretation of legislative intent. This society, which had been functioning since 1737, was paying the salary of a school-master and school-mistress, and had educated a fairly large number of children between the ages of eight and fourteen years. It was also caring for certain widows and orphans.<sup>43</sup> In 1795 and 1796,<sup>44</sup> respectively, the Fellowship Society<sup>45</sup> and the Winyaw Indigo Society were also granted this exemption favor. The latter association, incorporated in 1756, had as its original objects the improvement of the culture and manufacture of indigo and endowment of a free school; but, since the indigo industry had not survived long after the removal of South Carolina from English control, the Society was now almost entirely devoted to educating orphan children.<sup>46</sup> The acts of 1798<sup>47</sup> and 1799<sup>48</sup> added several educational or eleemosynary institutions to this section. Among them were the recently organized Camden and Clarendon Orphan Societies and Columbia Academy. Other similar institutions were being established, and the act of 1801 extended the benefits of tax exemption to the "lands and funds of any society applicable to the education or maintenance of public schools."<sup>49</sup> The public lands held by the corporation of Charleston were also designated as exempt from taxation in the act of that year. The report of Oliver Wolcott,<sup>50</sup> describing the general situation in 1796, includes the statement that "property belonging to religious or charitable societies, cities, or free schools, is altogether exempted."

Another extension of exemption in the field of charity was a provision in the act of 1801, exempting from taxation the interest money received by "any widow, orphan or unmarried

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South Carolina for machinery and skilled mechanics and advocates that encouragement be given to increase the supply.

42. STATUTES AT LARGE, Vol. V, p. 226.

43. See RAMSAY, *op. cit.*, p. 362.

44. STATUTES AT LARGE, Vol. V, pp. 274, 298.

45. The Fellowship Society, incorporated in 1769, was originally intended for taking care of the insane; but half of its funds were used in educating orphan children. See RAMSAY, *op. cit.*, p. 363.

46. See RAMSAY, *op. cit.*, pp. 209-212, for account of the introduction of the indigo plant into South Carolina.

47. STATUTES AT LARGE, Vol. V, p. 341.

48. *Ibid.*, p. 371.

49. *Ibid.*, p. 419.

50. AMERICAN STATE PAPERS, FINANCE, Vol. I, pp. 434-435.

woman, having no other means of livelihood.”<sup>51</sup> This development of humanitarianism is again evidenced by the act of 1809<sup>52</sup> which exempted from the poll tax on free negroes those whom the collector believed were incapable, “from maims or otherwise,” of providing their livelihood.

A notable characteristic of the exemption provisions thus far is that no mention was made of the use to which the property was put; the exemption was on the basis of ownership. The act of 1813<sup>53</sup> contained the qualification that houses erected on such exempted lands by private individuals were to be subjected to taxation in the same manner as other similar property.

In 1823 the revenue act provided for exemption of “the products of this State, or the unmanufactured products of any of the United States”,<sup>54</sup> from the tax on stock in trade. This encouragement of general home manufacturing was the first of its kind in South Carolina to take the form of tax exemption; it was a part of the wave of governmental encouragement that was sweeping over the United States in an effort to retain manufacturing that had been started during the War of 1812.

An unusual provision appeared in 1821,<sup>55</sup> exempting from taxation all lots, slaves, stock in trade, and other taxable property, within the town of Hamburg, for the term of five years. The state was interested in developing this village, for the purpose of drawing trade from that side of the Savannah River to Charleston. Hamburg was located across the river from Augusta, and in the 1820's and 1830's it was an important trade rival of that city. The first railroad more than one hundred miles in length connected Hamburg with Charleston. This project was begun in 1828, for the purpose of reviving trade and property values in Charleston. It was completed in 1833. South Carolina loaned money to Henry Shultz, to assist him in developing Hamburg. The interest taken by the state is shown in a committee report of 1830 recommending the establishment in Hamburg of a branch of the Bank of the State: “Your committee are of the opinion that the State, having now become the owner of the greater por-

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51. STATUTES AT LARGE, Vol. V, p. 424.

52. *Ibid.*, p. 607.

53. *Ibid.*, p. 704.

54. *Ibid.*, Vol. VI, p. 224.

55. *Ibid.*, p. 172.

tion of Hamburg, has additional inducements to those which have heretofore induced its liberal patronage to take such steps as may be necessary to advance the prosperity of the town and the interests of the state in the enhancement of property there."<sup>56</sup> All right and title which the state had in the town in 1832 was sold to Henry Shultz for \$16,225.<sup>56</sup>

In 1834 the Medical College of South Carolina was "exonerated from the payment of taxes on their college."<sup>57</sup> In 1846<sup>58</sup> the non-taxability by the state of property belonging to the United States was recognized by an act exempting from taxation certain lands, sites, forts and fortifications ceded to the United States.

The revenue act of 1850<sup>59</sup> provided for the exemption of goods imported directly from Europe in any vessel owned by citizens of South Carolina, as long as such goods remained in the hands of the original importer. This favor to home-owned vessels was similar to the one that had existed a century and a half earlier. It disappeared in 1851. Encouragement to manufacturers also was increased in 1850,<sup>60</sup> when provision was made not to include in the assessment returns the machinery used in manufacturing. The following year machinery used for railroad purposes was also exempted.<sup>61</sup> Railroad building in South Carolina began at an early date, the Charleston to Hamburg line (1830) being the second in the United States.<sup>62</sup> By 1850 the practice of exempting railways from taxation had become common.<sup>63</sup> Rivalry between the ports of Charleston and Savannah, in cotton exportation, may have been a factor in the situation; but practically all of the states indulged in the subsidizing of railways in order to hasten economic development within their borders.

During the Civil War years a few new exemptions and certain modifications of old ones appeared. They were the direct

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56. ACTS AND RESOLUTIONS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA, 1827-1828; (D. and J. M. Faust, Columbia, 1828); p. 36 in back of book. See also STATUTES AT LARGE, Vol. VI, p. 172 (Act of 1821) and p. 477 (Act of 1832).

57. JOURNAL OF THE LEGISLATURE OF S. C. FOR THE YEAR 1834, p. 64.

58. ACTS AND JOINT RESOLUTIONS, 1839-1849, p. 367.

59. ACTS AND JOINT RESOLUTIONS, 1850-1859, p. 2.

60. See above.

61. ACTS AND JOINT RESOLUTIONS, 1850-1859, p. 75.

62. JONES, PRINCIPLES OF RAILWAY TRANSPORTATION, (Macmillan, New York, 1925), p. 46.

63. See SOUTH CAROLINA LEGISLATIVE TIMES, (E. H. Britton & Co., Columbia, 1856), p. 252, for discussion of the exemption of capital and real estate of a new railway company, for a term of 36 years.

result of war conditions. The exemption of unmanufactured products of other states was changed to "unmanufactured products of any of the slave-holding states of the late United States."<sup>64</sup> Exemption of stocks and bonds was confined to those of the state or of the Confederate States.<sup>65</sup> Slaves and lands of South Carolina under the control of the enemy, lands abandoned by the owners because of action of the military authorities, and property occupied without compensation by the military, were not to be assessed.<sup>66</sup> Officers of the army and navy were exempted from the tax on salaries and wages, as were all recipients of wages of \$500 or less.<sup>67</sup> A special tax, for relief of the families of the soldiers, sailors and marines, to be paid in produce, was levied in 1864,<sup>68</sup> from which a minimum exemption of 100 bushels of corn, 50 gallons of syrup, 20 bushels of wheat, and 50 bushels of rice, was allowed. Free negroes who were, or had been, in the military service of South Carolina or of the Confederate States, were exempted from the poll tax.<sup>69</sup> Lands and buildings in the possession of the Freedman's Bureau were likewise non-taxable. Only clergymen remained in the exempt class that had formerly consisted of clergy, mechanics, school masters and mistresses.<sup>70</sup>

Thus the period from 1778 to the close of the Civil War was a period of expansion of tax exemption in South Carolina, especially in the fields of education, religion, charity and industry. The great development in education, beginning in the 1830's, the sustained expansion in humanitarian activities, and the opening of the railway era, were the significant factors underlying this expansion in tax exemption. Property was exempted on the basis of ownership.

### 3. EXEMPTIONS SINCE THE CIVIL WAR

With the new constitution of 1868 came a definite expansion and restatement of tax exemption policies. The exemption provisions, as they were formulated in that year, have continued almost unmodified to the present time. Changes have occurred in the treatment of industry, and a growing

64. ACTS AND JOINT RESOLUTIONS, 1860-1866, p. 837 (1860).

65. *Ibid.*, pp. 837 (1860), 180 (1863), and 6 (1864).

66. *Ibid.*, pp. 1 (1861), 126 (1862), and 91 (1863).

67. *Ibid.*, p. 1 (1861).

68. ACTS AND JOINT RESOLUTIONS, 1860-1866, p. 13 (1864).

69. *Ibid.*, p. 1 (1861).

70. *Ibid.*, p. 3 (1865).

liberality in most of the other exemption provisions has been noticeable; but the general framework and policies of exemption have not changed significantly.

The tax exemption provisions of the constitutions of 1868<sup>71</sup> and 1895<sup>72</sup> are not merely permissive in form; they state definitely the exemptions that shall be allowed, and there are many. In the convention of 1895 the original draft was liberalized by adding parsonages to the list of exempted property and by eliminating the adjective *public* as a qualification of *schools, colleges and charitable institutions*.<sup>73</sup> Both constitutions, however, limit the buildings and premises exempted to those actually occupied by the exempt institutions; and both provide that "property of associations and societies, although connected with charitable objects, shall not be exempt." These limitations did not exist before the Civil War. The constitution of 1895 also confines the exemption to property the revenue from which is not applied to private use.

The constitution of 1895, together with later legislative acts and court interpretations, presents the tax exemption situation as it exists to-day.<sup>74</sup> Most of the basic exemptions are enumerated in Section 2578 of the Civil Code.

All property owned exclusively by the United States or the state is exempt from taxation. Property owned by counties is exempt if used for courthouses, jails or public offices; but the land on which such buildings are erected shall not exceed ten acres in any county.<sup>75</sup> All public squares or grounds, market houses, and halls owned by any city, village or town and used exclusively for public purposes, and not for revenue, are exempt.<sup>76</sup> Property acquired by any city for the purpose of establishing or maintaining its port and terminal utilities is exempt so long as it is maintained for such purposes.<sup>77</sup> The

71. Art. IX.

72. Art. X, Sec. 4.

73. JOURNAL OF THE CONSTITUTIONAL CONVENTION OF THE STATE OF SOUTH CAROLINA, 1895, (Chas. A. Calvo, Jr., Columbia, 1895), pp. 197, 363, 374.

74. Duke Power Co. v. Bell, 156 S. C. 299, 152 S. E. 865 (1930), makes it clear that, in the absence of constitutional provision to the contrary, the power of the legislature to exempt certain classes of property from taxation is absolute and co-extensive with the power to tax.

75. ACTS OF 1868, pp. 28-29; ACTS 1929, p. 96; CIVIL CODE OF SOUTH CAROLINA, 1942, § 2578 (7), (8).

76. ACTS 1868, pp. 28-29; CIVIL CODE 1942, § 2578. See Town of Myrtle Beach v. Holliday, Tax Collector, et al., 203 S. C. 30, 26 S. E. 2d 12 (1943).

77. ACTS 1926, p. 948.

waterworks used in supplying water to a town or city are exempt when owned by the town or city.<sup>76</sup> Apparently such property does not need to be within the borders of the owning city. The courts have been liberal in their treatment of public property. Exemptions of private property from taxation are strictly construed, but exemptions of property of municipal corporations appear to be liberally construed.<sup>78</sup> The constitutional provision permitting exemption of property for "municipal purposes" embraces property exempted for county purposes.<sup>79</sup> It has been held that renting a theatre in a city hall, owned by the city, to private parties who charge for performances given therein, does not destroy its exemption, provided it also may be used free of charge for public meetings.<sup>80</sup>

Exemptions of property of educational institutions have appeared in both general and specific terms. Incorporated public colleges, academies and institutions of learning, with grounds and buildings actually occupied by them and not used with a view to pecuniary profit, are exempt; as are the endowments for their support.<sup>81</sup> Buildings, together with the lot on which they stand, not exceeding four acres in each case, leased to any school district and used for public school purposes, are exempt, provided the owner receives only a reasonable compensation after taking into consideration the non-payment of taxes.<sup>82</sup> In several instances property of educational institutions is exempted by special statute,<sup>83</sup> indicating that special legislation on exemption is not prohibited in South Carolina.

The exemption statute of 1868 cut down the favors to religious institutions, but the limits have since been expanded by constitutional amendment. The exemption, as it appeared in 1868, was based upon use rather than ownership; and the use must be "exclusively for public worship."<sup>84</sup> In 1878 parsonages were added to this section, with the provision that

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78. See *State v. City of Columbia*, 115 S. C. 108, 104 S. E. 337 (1920).

79. *Duke Power Co. v. Bell*, *supra*, note 74.

80. *State v. City of Columbia*, *supra*, note 78.

81. CIVIL CODE 1942, § 2578 (4), (5).

82. CIVIL CODE 1942, § 2578 (38).

83. Examples: Land on which Walhalla Female College is located, ACTS 1879, p. 108; property of the Benedict Institute, ACTS 1882, p. 788; property of Bailey Military Institute, ACTS 1926, p. 1546; property of Columbia Stage Co., ACTS 1927, p. 1016.

84. ACTS AND JOINT RESOLUTIONS, 1868, p. 28; CIVIL CODE 1942, § 2578 (2).



no income be derived from them.<sup>85</sup> Property owned by any organized religious society, and used exclusively for publication of a religious newspaper or for any other activities of such society, is now exempt, the land in no case to exceed two acres.<sup>86</sup> In addition to these general provisions there are a number of exemptions to specified churches and other organizations of a religious character.<sup>87</sup> Courts have been liberal in their treatment of religious organizations. Even where a parsonage belonging to a church is rented, the income being applied to the pastor's salary or to the rent paid for another residence, it has been held that the exemption is not lost.<sup>88</sup> Churches are not exempt under this section, however, from special assessment for pavements in front of their property.<sup>89</sup>

"All graveyards or cemeteries, except such as are held with a view to profit or speculation in the sale thereof" are exempt from taxation;<sup>90</sup> and there is at least one case where the legislature has exempted specific property of a named cemetery.<sup>91</sup>

The statute of 1868 exempted all property owned by institutions of purely public charity and used exclusively for the maintenance and support of such institutions; and also all property owned by any county or city and used exclusively for the poor.<sup>92</sup> These provisions are still in effect,<sup>93</sup> and others have been added. Property owned by Y.M.C.A.'s and Y.W.C.A.'s or by the Salvation Army, and used for the purposes of such institutions, are exempted.<sup>94</sup> Portions of buildings be-

85. ACTS 1878, p. 778.

86. CIVIL CODE 1942, § 2578 (3).

87. Examples: The real estate owned by Beach Branch Baptist Church, ACTS 1923, p. 504; property owned by trustees of the Oliver Gospel Mission, and that of the Columbia Hebrew Benevolent Society, ACTS 1926, p. 1678; property of the Main Street Methodist Church of Columbia, ACTS 1928, p. 1017; property of church organizations in Florence County, ACTS 1930, p. 1141. Each of these statutes requires both ownership and use. See CIVIL CODE 1942, § 2578, for other illustrations.

88. Protestant Episcopal Church of the Parish of St. Phillips v. Prieau, as County Auditor, 63 S. C. 70, 40 S. E. 1026 (1901).

89. Wesley M. E. Church v. Columbia, 105 S. C. 303, 89 S. E. 641 (1916).

90. ACTS AND JOINT RESOLUTIONS, 1868, p. 28; CIVIL CODE 1942, § 2578 (6).

91. ACTS 1882, p. 891. The statute exempts "all that part of the property of the association (Mt. Hope Cemetery) which may be enclosed as a cemetery."

92. ACTS AND JOINT RESOLUTIONS, 1868, pp. 28-28. See Benjamin v. Housing Authority of Darlington County, et al., 198 S. C. 84, 15 S. E. 2d 737 (1941).

93. ACTS 1929, p. 96.

94. ACTS 1909, pp. 146-147; ACTS 1915, pp. 546-547 (a specific Y.W.C.A., colored branch, in Charleston); CIVIL CODE 1942, § 2578 (24), (26).

longing to these societies and rented for other purposes lose the exemption. There are several instances of special exemptions to named institutions, usually hospitals or portions of estates to be used for charitable purposes.<sup>95</sup> Fraternal benefit societies have received tax exemption favors as charitable and benevolent institutions.<sup>96</sup> In the 1895 constitutional convention a resolution was offered providing for exemption of property to the value of \$300 to every widow with a family dependent upon her, and to every person who had been disabled in the Confederate army, provided the total property owned by such person, in either case, did not exceed \$1,000. Apparently this exemption was not accepted by the convention.<sup>97</sup>

The only type of exemption that reflects significant changes in policy during the period since the Civil War, is found in the treatment of industry. Minor cases of exemption from taxation for the purpose of stimulating certain industrial developments before the War have been noted, but there is little evidence that they were effective in accomplishing the object sought. A slave economy was suited to the plantation form of agriculture; and the cotton, rice, indigo and other products found a ready market, especially in England. Manufactured goods were obtained more economically by exchanging the staple plantation products for them. In the 1870's, the obstacle of slavery having been eliminated and the effects of war having begun to fade into the background with the restoration of civil government, industrial development became noticeable.<sup>98</sup> In 1873 an act was passed for the encouragement of industrial development within the state. Any individual or association employing capital in the manufacture of cotton, woolen and paper fabrics, iron, lime, or agricultural imple-

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95. Examples: ACTS 1915, p. 574 (a hospital in Columbia); ACTS 1927, p. 969 (portion of an estate devised for use of the poor); ACTS 1929, p. 98 (specified hospitals in Columbia and Charleston). See CIVIL CODE 1942, § 2578.

96. See *e.g.*, ACTS 1928, p. 1950, where the "property of any and all social, fraternal, charitable or eleemosynary society, or other association, shall be exempt from the payment of all county, municipal or school taxes in said Marion County when such property is used . . . for the conduct of their meetings and business connected with such society or association, and no part of such property being used for revenue."

97. JOURNAL OF THE CONSTITUTIONAL CONVENTION OF THE STATE OF SOUTH CAROLINA, 1895, (Columbia, 1895), p. 207.

98. See SOUTH CAROLINA: RESOURCES AND POPULATION, INSTITUTIONS AND INDUSTRIES, (State Board of Agriculture of South Carolina, Charleston, 1883), pp. 576, 577.

ments, was to receive from the state treasury each year (for a period of ten years) a sum equal to the total state taxes (except the two-mill school tax) levied on the property and capital so employed. County and municipal governments were to grant similar bounties equal to their tax levies. This subsidy was to apply only to investments made after the passage of the act; and land on which such factories were built was not to be exempt from taxation. It was decided to include enterprises completed since January 1, 1872, and improvements added since that date; and also all vessels of one hundred tons or upwards, built and owned within the State.<sup>99</sup> To build up a larger labor supply, an act of 1880<sup>100</sup> granted a similar subsidy to immigrants to South Carolina, their taxes to be returned to them for a period of five years. These subsidies were actually tax exemptions, although one court has called them bonuses and denied that they were exemptions.<sup>101</sup> The legislative enactments that followed, especially during the years 1879 to 1882, contain many acts of incorporation with special statement of the fact that the corporation is to have the benefits of the act of 1873. This law was repealed, however, in 1885,<sup>102</sup> provision being made to permit existing factories to continue receiving the benefits until the expiration of their ten-year period.<sup>103</sup> Similar exemptions were still granted, however, in specified cities, by legislative act.<sup>104</sup>

The constitution of 1895 provides<sup>105</sup> that cities and towns may exempt from taxation, except for school purposes, manufacturing establishments within their limits, for five successive years from the time of establishment. This article has been frequently amended to extend the exemption privilege to specified counties; and in 1929 power was given any county in the state to exempt all new manufacturing enterprises (with capital stock of \$50,000 or more) and all additions to existing manufacturing enterprises (said addition costing at least \$50,000), from all county taxes, except for school purposes,

99. Acts 1873, p. 513.

100. Acts 1880, pp. 432-433.

101. *Germania Savings Bank v. Town of Darlington*, 50 S. C. 337, 27 S. E. 864 (1896). The reformulation of tax exemptions, as they appear in 1882, contains the above provision as number 23. See Acts 1882, p. 987.

102. Acts 1885, p. 333.

103. For special instances of continuation of the act, see Acts 1888, p. 102; Acts 1890, p. 798.

104. For example, see Acts 1887, p. 1031, applying to the city of Greenville.

105. Art. VIII, § 8.

for five years from the date of establishment of such new enterprise or addition.<sup>106</sup> The constitutional amendments and statutes extending these exemptions to specified counties, usually provided that a minimum of \$10,000 to \$100,000 must be invested in such undertakings; and in some cases the types of industry were specified.<sup>107</sup> In most cases the tax favors were granted to establishments producing cotton, woolen, pottery, pulp, soap, hardwood, and other goods in whose production South Carolina had natural advantages.

As an illustration of the liberality of courts in their treatment of industrial enterprises, the case of *Duke Power Company v. Bell*<sup>108</sup> is outstanding. In the first place the court said that, in the absence of a constitutional provision to the contrary, the power of the legislature to exempt certain classes of property from taxation is absolute and coextensive with the power to tax; and a statute exempting manufactories from taxation in specified counties does not violate the constitutional provision requiring taxation of property in proportion to value, the latter applying only to the property taxed. Several points were litigated in this case. A plant wherein electric power is generated is a "manufactory" within the meaning of the statute. A power company that has erected a new dam with power plant on the opposite side of the river from the old plant (which is continued in operation) and in another county, is entitled to have the newly erected plant exempted as a new manufactory. A merger or consolidation of corporations, one of whom has enjoyed immunity from taxation, does not destroy the exemption.

Attention might be called to an additional type of exemption to stimulate housing and industrial development. Building and loan associations, chartered under the laws of South Carolina for the purpose of lending money for the erection, repair or improvement of buildings within the state, and whose loans are secured by real estate mortgages or other security, are exempt from all taxation. To come within this provision the association must not loan money for the improvement of property outside the county limits.<sup>109</sup>

106. Acts 1929, p. 90.

107. See Acts 1924, pp. 977, 1080; Acts 1925, pp. 833, 891; Acts 1927, pp. 54, 157, 272, 1085; Acts 1928, p. 1732; Acts 1929, pp. 36, 124, 137, 175; Acts AND JOINT RESOLUTIONS SOUTH CAROLINA, 1949, pp. 8, 181, 328, 331, 334, 543, 592; *Ibid.*, 1951, p. 418.

108. *Duke Power Co. v. Bell*, *supra*, note 74, 116 A.L.R. 1117n, 1120n.

109. Acts 1929, pp. 98-99.

The outstanding exemption provisions in the field of agriculture have been for the purpose of reducing the tax burden resting upon farmers whose crops have been destroyed by storm or flood. The frequency and severity of hail, wind, rain and snow storms, tornadoes and floods, have been described at great length by early writers of South Carolina.<sup>110</sup> Beginning in the 1890's and continuing to the present time, many statutes have been passed abating the taxes assessed against the sufferers.<sup>111</sup> Usually the statute applies to specified counties or portions thereof, although sometimes the persons affected are named. Proof that crops were "practically destroyed" is usually required.

Other exemption favors in legislature have taken the form of freeing fair grounds and agricultural societies from taxation, so long as the property is not used for purposes of profit.<sup>112</sup> In 1919 a cotton marketing association, organized in that year, was granted exemption from all taxes on its corporate property, both real and personal.<sup>113</sup>

A minimum personal exemption from the property tax is provided in South Carolina. It includes "all the wearing apparel of the person required to make the return, and his family; articles actually provided for the present subsistence of the person or his family, to the value of one hundred dollars."<sup>114</sup>

In 1947 Section 4 of Article X of the Constitution of 1895 was amended to permit the General Assembly to exempt from taxation household goods and furniture used in the home of the owner.<sup>114a</sup> The act providing such exemption excludes household goods and furniture used in hotels, rooming houses, apartments, or other places of business.<sup>114b</sup>

Tax exemption extended to military organizations is similar in form and extent to that of most other states. All premises owned in fee by any such organization in the state and

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110. See, for example, RAMSAY, *op. cit.*, pp. 308 et seq.

111. Examples: ACTS 1894, pp. 873, 1151; ACTS 1898, pp. 861-862; ACTS 1899, p. 166; ACTS 1900, pp. 512-513; ACTS 1904, p. 588; ACTS 1913, p. 371; ACTS 1914, pp. 47-48, 896-897; ACTS 1915, pp. 380, 448, 576; ACTS 1918, pp. 1034-1035; ACTS 1920, p. 1370; ACTS 1922, p. 1542; ACTS 1923, pp. 569, 570; ACTS 1924, pp. 1730, 1813, 1889; ACTS 1925, pp. 606, 624, 677, 780, 781, 821; ACTS 1929, pp. 716, 1030.

112. ACTS 1924, p. 111; ACTS 1929, p. 97; CIVIL CODE 1942, § 2578 (35).

113. ACTS 1919, pp. 452-453.

114. ACTS AND JOINT RESOLUTIONS 1868, pp. 28-29; ACTS 1929, p. 97. See CIVIL CODE 1942, § 2578 (21), (22).

114a. ACTS AND JOINT RESOLUTIONS, 1947, p. 136.

114b. *Ibid.*, p. 475.

used solely for military purposes, are exempt from taxation. A division is to be made in case a part of such property is used for other than military purposes.<sup>115</sup> Military uniforms, arms, equipment and mounts of members of the Organized Militia of South Carolina are exempt.<sup>116</sup> Property of the American Legion, used exclusively for Legion purposes, is specifically exempted,<sup>117</sup> as is the property of other named veterans' groups.<sup>118</sup>

Tax exemption to encourage the development of necessary protection from fire is also found in the statutes of South Carolina.<sup>119</sup> Fire engines, and property necessarily used therewith, are not taxed, whether they are owned by a city, town or village, or by any fire company organized therein.

Intangibles in South Carolina receive liberal treatment. It has been held that exemption from taxation of bonds issued by a city is not invalid for the reason that it makes municipal taxes heavier on those owning no such bonds.<sup>120</sup> Several issues of city bonds, prior to 1912, carried immunity from taxation.<sup>121</sup> In that year an act was passed providing that "all bonds hereafter issued by any city, county or school district within this State shall be free and exempt from all taxes to the State, county, or other municipality."<sup>122</sup> Certain taxation certificates issued by municipalities are free from taxation.<sup>123</sup> Bonds issued by the State were exempted in 1868.<sup>124</sup> In 1890 provision was made for exempting from taxation so much of the capital stock of any banking corporation (in 1891 extended to other corporations)<sup>125</sup> located within the State, as is invested in exempt stocks or bonds.<sup>126</sup>

Several other exemptions of intangibles are found in South Carolina, some of them being for administrative convenience or for avoiding double taxation. Annuities not payable on or

115. ACTS 1919, pp. 136-137; CIVIL CODE 1942, § 2578 (26).

116. ACTS 1922, p. 873.

117. ACTS 1924, p. 1118.

118. CIVIL CODE 1942, § 2578 (42).

119. ACTS AND JOINT RESOLUTIONS, 1868, p. 29; CIVIL CODE 1942, § 2578 (11).

120. *Buist v. City Council of Charleston*, 77 S. C. 260, 57 S. E. 862 (1907).

121. Examples: ACTS 1887, p. 891; ACTS 1892, p. 29.

122. ACTS 1912, p. 682. See CIVIL CODE 1942, § 2578 (25), (28).

123. CIVIL CODE 1942, § 2578.

124. ACTS AND JOINT RESOLUTIONS 1868, pp. 28-29.

125. ACTS 1891, p. 1058.

126. ACTS 1890, p. 712. Reformulation, ACTS 1929, p. 99. The exemption is limited to 25 percent of capital stock and surplus. See CIVIL CODE 1942, § 2578 (33).

before August first of the year for which taxes are to be assessed, are exempt; as are rents accruing from real estate and not becoming due within two months after the first day of January of the year in which taxes are to be assessed thereon.<sup>127</sup> Shares of the capital stock of any company or corporation which is required to list its capital and property for taxation in the State, are exempt.<sup>128</sup> Pensions payable to any person by the United States or any state are not taxed;<sup>129</sup> and pension funds for retired firemen are exempt.<sup>130</sup>

Mines and mining claims are exempt from the property tax, by constitutional provision.<sup>131</sup> The proceeds only are taxable. The tax on gross proceeds of mines is in lieu of a tax on the land, and this method of taxation applies only where the land is actually mined.

#### 4. ADMINISTRATIVE AND FISCAL ASPECTS

On the administrative side of tax exemption, South Carolina has done little. The Civil Code provides<sup>132</sup> that every person of legal age and sound mind shall list for taxation all property, real and personal, owned or controlled by him. Since 1882 the Code has provided: "The Auditor, at the time of making the assessments of other real estate for taxation, shall enter in a separate list, pertinent description of the real estate exempt from taxation by law, with the valuation thereof, made by himself, determined by the rules prescribed by law, and designating the owner of each several parcel."<sup>133</sup>

The Civil Code also provides<sup>134</sup> that county auditors are to keep an "abatment book", in which they are to enter every abatment of taxes, a description of the property, the name of the owner, and the reason for abatment. The abatment allowed in annual settlements between county auditor and treasurer is to be according to the record in this abatment book.

In administering tax relief to farmers whose crops have been destroyed by hail or flood, an affidavit of two disinter-

127. CIVIL CODE 1942, § 2578 (18), (17).

128. ACTS AND JOINT RESOLUTIONS 1868, pp. 28-29; CIVIL CODE 1942, § 2578 (20).

129. CIVIL CODE 1942, Sec. 2578 (19).

130. CODE 1922, Vol. III, p. 1397.

131. CONSTITUTION 1868, Art. IX, Sec. 1; CONSTITUTION 1895, Art. X, Sec. 1. See also statutory provision, ACTS 1888, p. 45.

132. CIVIL CODE 1942, Vol. 2, Art. 4.

133. *Ibid.*, Art. 10, § 2711.

134. *Ibid.*, Art. 10, § 2734.

ested witnesses must be filed with the county treasurer, certifying that the applicant was in a storm stricken district and that he lost at least fifty per cent of his crop.<sup>135</sup>

A study made in 1932 indicated failure by most county auditors to list exempt property. Of questionnaires sent to the forty-six counties, fourteen replies were received. One auditor stated that he had no records available from which he could "even hazard a guess" as to the value of exempt property in his county. Of the other thirteen counties, only two of the auditors attempted an estimate of the value of property exempted from taxation. In McCormick County approximately twenty-one per cent of the value of real property was exempted; while in Berkeley County the value of real and personal property exempted was around nine per cent of the total. Census data support an estimate of approximately ten per cent for the State as a whole. This percentage is slightly under that for the entire United States.

## 5. SUMMARY

This history of South Carolina covers the greater part of three centuries. Certain Old World customs and traditions were brought with the colonists. The Church was looked upon as a public institution, and its property has remained tax-free to the present time, even though the Revolutionary War swept away the established church. Charities were at first closely connected with the Church, as they had been in Europe; but gradually the people began to look upon the care of the poor as a public function, and the property of private institutions which performed this function was exempted as the property of public agencies. Schools, in the beginning, were fostered by religious groups. During the eighteenth and nineteenth centuries, however, education gradually took on the appearance of a public function. The property of free schools was exempted from taxation at an early date.

One of the earliest industries to be fostered through tax exemption was ship-building (1698). It was not until the War of 1812 had ended that other industries were favored with exemption from taxation. In the 1860's and 1870's rail-ways were granted tax exemption. At the present time many manufacturing industries of South Carolina are tax-free for a term of five or ten years.

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135. See, for example, Acts 1924, p. 1730.



In the beginning settlers were encouraged to come to South Carolina, freedom from taxation for ten years being given them. Later an attempt was made to increase the number of white servants in the colony by exempting from taxation the property of landowners who maintained more than a specified number.

South Carolina to-day grants tax exemption to many institutions and individuals. Her courts are liberal in their interpretation of the laws, especially in the field of religion. Because of inadequacy of the records and the nonenforcement of the provision for listing exempt property, it is not possible accurately to estimate the value of non-taxable property in the State. While it is not the purpose of this article to discuss the effects of tax exemption, it should be noted that removal of property from the tax base means a heavier burden upon owners of taxable property. This exemption amounts to a subsidy, the burden of which is borne by other taxpayers, not always with justification and not always in accordance with ability to bear the burden.