

State tax decision could rock Oconee

County files formal appeal as DOR plans to tax quarry

BY STEVEN BRADLEY
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WALHALLA — Oconee County is appealing a decision by the state Department of Revenue to begin taxing the cash cow that is the county's rock quarry, which is expected to net nearly \$5 million next year.

County administrator Scott Moulder told The Journal that he received a visit from a repre-

sentative of DOR, Tony McCallister, last week to inform him of the decision to begin taxing the operation.

"There are multiple classifications by which a property can be exempted from paying property tax, and there are specific uses or organizations listed," Moulder said. "Since a rock quarry isn't specifically listed, then they made the assumption we should be paying tax. You can see that's why I argued so strongly that this service is no different than any other service provided by counties that are listed as an exemption."

In a letter to McCallister dated

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Scott Moulder
Oconee County administrator



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Monday, Moulder submitted an application for property tax on the property owned by the county and utilized for rock quarry operations, along with supporting views as to why the county should be exempt.

The county's exemption application refers specially to Section 3, Article 10 of the state constitution, which states all property of the state, counties, municipalities, school districts and other political subdivisions are exempt from ad valorem taxation if the property is used exclusively for public purposes.

Moulder's argument included with the exemption application notes the rock quarry property is occupied and operated solely by Oconee County, with no private sector involvement, and that no part of the property is leased to any party for private gain.

He also wrote that while no other county in the state operates a rock quarry, its "ownership deeds, documents and records ... are identical to those of any other county operation, including but not limited to the Solid Waste and Recycling assets, county-owned airport and hangars."

Moulder argues the quarry is "merely a division of our county government" and its accounting of the operation "is no different than a landfill, water and sewer operations, airport or any other county operation" in the state that accounts for operations as an enterprise fund.

The county's appeal also points out that at the end of each fiscal year, county council determines how much of the annual profits from the enterprise fund

need to be set aside for the future of the operation, and the remainder of the proceeds are transferred to the county's general fund "as a subsidy to property taxes."

"This practice allows for public benefit by way of reduced tax burden," the appeal states. "The quarry is and has always been a governmental function since its establishment in the 1950s."

The appeal concludes: "If the Department of Revenue determines it should single out Oconee County's Rock Quarry, and assesses property tax, then Oconee County expects every enterprise fund in the state to receive the same treatment. Oconee County's Rock Quarry is obviously 'unique' as it is government owned and operated, but it is, statutorily, no different than any other enterprise fund in the state."

The county's Rock Quarry Enterprise Fund generated more than \$5 million in total revenue in fiscal year 2016, about \$4.6 million last year and is expected to produce nearly \$5 million toward next year's budget.

Moulder said he was unsure at this point what kind of budgetary hit the county would suffer if DOR follows through on taxing the property.

"I am assuming DOR would classify this property as manufacturing, which would require submittals of financials to DOR annually, and then taxes would be assessed similar to an industrial development," he said. "We haven't ventured that far into the discussion with DOR yet. My goal is to change their minds before we get there."