

WHAT IS A BUSINESS LICENSE TAX?

A business license tax is neither a property tax nor an income tax. Rather, it is a way of requiring an entity or individual doing business within a municipality to contribute its share in support of the city. According to state law, municipalities have the authority/permission to impose a tax on the gross income earned by businesses operating within its jurisdiction.

WHY IS THERE A BUSINESS LICENSE TAX?

Businesses locate in city limits because of the concentration of commercial activity centered in a city which acts as both a source for customers and a magnet for talent. To be successful, this commercial activity relies on city services, including police and fire protection, zoning, street lights, sidewalks and many others that can't be billed on an individual usage basis.

Through a business license tax, businesses help pay for the city services that they depend on to operate successfully.

HOW IMPORTANT IS THE BUSINESS LICENSE TAX?

In most cities, **25% TO 50%** of their general fund budgets come from the business license tax, and there is no alternative revenue stream to replace it. City leaders have little flexibility in raising revenue because of Act 388's millage and reassessment caps and restrictions on the use of other revenue sources such as hospitality and accommodations taxes, thereby making the business license tax a critical revenue source.



GET TO KNOW KATIE

Hi Liberty! I graduated from Brevard College in 2020 with a degree in Business & Organizational Leadership and English. I have lived in the upstate for 8 years and have been with the city since August 2023. When I'm not at City Hall, I spend most of my time with my flat-coated retriever, Frank, and my husband, whom I married February of 2024.

I am responsible for quite a few things over at City Hall, including, but not limited to, helping in the water department/setoff debt, updating the website, assisting with grants, and handling all business licenses and hospitality tax reporting for the city. My efforts and dedication over the past year have paid off, resulting in a more than 13% increase in business license revenue within my first six months taking them over.

Although I never thought I would be working in local government, I've grown to be very passionate about what I do and the difference I hope to create within the community. The positive impact of holding businesses accountable for their licensing and hospitality taxes has on the community is greater than one may think, as mentioned in this pamphlet, and being able to structure.

If you have any questions, please do not hesitate to reach out. Forming bonds within the community has been one of my favorite parts of this job!

CONTACT INFO



864-843-3177 EXT 4



119 West Front St. PO Box
716 Liberty SC, 29657



ksizemore@libertysc.com
www.Libertysc.com



BUSINESS LICENSE INFORMATION

NEW BUSINESSES

- A Business License form and associated fee must be completed and submitted before you open your business in the City of Liberty, SC. The fee for a new business shall be computed on the estimated probable gross income stated in the license application for the balance of the license year. If found delinquent or operating without a license, you are liable for base fees from the past three years plus the current year, along with escalating monthly penalties starting at 5%.
- Much like state and federal income taxes, it is the business owner's responsibility to obtain, maintain, and renew annually the business license for his or her business, if required by the local government whether the business is located. If it is found that a business is operating without an active business license, they will be required to provide proof of income
- No deductions shall be made from gross income, except for income earned outside the municipality on which a business has paid a license tax to another municipality or county and has fully reported it to the municipality, taxes collected for a governmental entity, or income that cannot be included in tax computations under state or federal law. The applicant must provide satisfactory records and proof to establish the right to exempt income.

PENALTIES

- Standard due date of April 30, with May 1 as the start of the license year; penalties may be imposed beginning May 1.
- Penalties shall NOT be waived.

ACT 176

THE SC BUSINESS LICENSE STANDARDIZATION ACT

Act 176 standardizes many elements of business license tax administration that were previously determined by individual municipalities.

Act 176 requires cities and towns that levy a business license tax to:

- Issue a business license for a period of May 1 to April 30.
- Calculate the tax based on a business' gross income for the previous calendar year or its previous fiscal year.
- Use the law's definition of gross income.
- Accept a standardized application approved by the SC Revenue and Fiscal Affairs Office.
- Use the law's standardized class schedule.
- Allow businesses to make renewal payments through an online payment system hosted by the SCRFA.
- Use the law's standardized appeals process.
- Set rates for the 2022 license year to prevent a revenue windfall in the first year of compliance with the law.



RENEWALS

- The business license official will send out renewal letters sometime in late January - early February to the address on file. This letter will have instructions on what the business owner will need to fill out and turn in with their renewal.
- No deductions shall be made from gross income, except for income earned outside the municipality on which a business has paid a license tax to another municipality or county and has fully reported it to the municipality, taxes collected for a governmental entity, or income that cannot be included in tax computations under state or federal law. The applicant must provide satisfactory records and proof to establish the right to exempt income.
- The business license official has the ability to start issuing the new year business licenses as early as January 1 of the new year.