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# Class Schedule Update

Caitlin Cothran, MBL  
Manager for Local Revenue Services  
Municipal Association of SC

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## Why are we talking about this?

- Act 176, Business License Standardization Act
- Mandated to update NAICS codes every five years
- Mandated to update Class Schedule every two years, by December 31 of odd years

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# Class Schedule Updates

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**Class Schedule Updates**  
**§6-1-400(G)(1)**

By December thirty-first of every odd year, a taxing jurisdiction levying a business license tax **shall adopt, by ordinance**, the latest Standardized Business License Class Schedule as recommended by the Municipal Association of South Carolina and adopted by the Director of the Revenue and Fiscal Affairs Office.

The Municipal Association of South Carolina shall determine and revise the Standardized Business License Class Schedule every even year using the latest available nationwide Internal Revenue Service statistics for the calculation of profitability of businesses and using the latest business classification codes of the latest North American Industry Classification System (NAICS).

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**Class Schedule Updates**

Rearranging the class schedule based on the latest profitability statistics received from the IRS.

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**Class Schedule Updates**

- Updated every two years
- Must be approved by ordinance
- Consider rebalancing each time

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### Updated Every Two Years

- Adopted in the odd year for use in the next two license years
- For example:
  - Adopted in 2025 for use in 2026 and 2027.
  - Then adopt a new one in 2027 for use in 2028 and 2029.

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### Adopt by ordinance by December 31

For the license year running from **May 1, 2026 – April 30, 2027.**

Before January 1, 2026, you should not use this updated class schedule, and should instead continue using the current class schedule.

This class schedule will be used for the May 1, 2026 - April 30, 2027 license year and the May 1, 2027 - April 30, 2028 license year.

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### Must be approved by ordinance

- The class schedule update **is** a change to what businesses will be charged and you do need to pass an ordinance.
- The sample ordinances are available online and can be found at <https://www.masc.sc/business-license-ordinance-updates>

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### Consider rebalancing each time

- If the new class schedule moves NAICS from higher classes to lower classes
  - Potential for lost revenue
- Can change the base and rate per thousand
  - No requirements on this since 2022
- Implementing class 9s

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### Implementing Class 9s

- §6-1-400(G)(2) A taxing jurisdiction, upon a finding of a rational basis as explained in its ordinance and by a positive majority vote of county or municipal council, may provide for additional reasonable subclassifications, described by an NAICS sector, subsector, or industry, based upon particularized considerations as needed for economic stimulus or the enhanced or disproportionate demands by specific business subclassifications on taxing jurisdiction services or infrastructure.
- §6-1-400(H)(1) Any special ordinance, formal agreement, or informal agreement entered into between a taxing jurisdiction and a taxpayer regarding rate classes, an annual flat fee, or the calculation of business license taxes that was adopted by ordinance or agreed to before enactment of this subsection is considered valid upon the approval of the taxpayer. A taxpayer may prove the existence and terms of an agreement through direct or circumstantial evidence, including evidence of prior payment accepted.

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### Implementing Class 9s

- Rational basis
- Special agreements (formal or informal)
  - Not restricted on creating new agreements
- Must apply to all businesses in that industry
  - For example: Cannot provide a special exception for Publix and not also provide it to Bi-Lo/Ingles/Food Lion/Etc.
- Make use of economic development incentives and ordinances

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Questions?

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Caitlin Cothran  
Manager for Local Revenue Services  
Municipal Association of SC  
[ccothran@masc.sc](mailto:ccothran@masc.sc)  
803.354.4786

Local Revenue Services Staff:

Fran Adcock, [Fadcock@masc.sc](mailto:Fadcock@masc.sc), 803.933.1201  
Anita Lancaster, [Alancaster@masc.sc](mailto:Alancaster@masc.sc), 803.933.1238  
Kaylee Summerton, [Ksummerton@masc.sc](mailto:Ksummerton@masc.sc), 803.933.1255

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