**South Carolina General Assembly**

125th Session, 2023-2024

**H. 5310**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Murphy, G.M. Smith, Bannister, Brewer, Caskey, Gatch, Guest, J.E. Johnson, Mitchell, W. Newton, Robbins, Rose, Rutherford, Sandifer, Stavrinakis, West and Whitmire

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Introduced in the House on March 21, 2024

Currently residing in the House Committee on **Ways and Means**

Summary: aircraft

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

3/21/2024 House Introduced and read first time ([House Journal‑page 16](h:\hj\20240321.docx))

3/21/2024 House Referred to Committee on **Ways and Means** ([House Journal‑page 16](h:\hj\20240321.docx))

3/27/2024 House Committee report: Favorable **Ways and Means** ([House Journal‑page 9](h:\hj\20240327.docx))

4/9/2024 House Recommitted to Committee on **Ways and Means** ([House Journal‑page 58](h:\hj\20240409.docx))

View the latest  [legislative information](https://www.scstatehouse.gov/billsearch.php?billnumbers=5310&session=125&summary=B)  at the website

**VERSIONS OF THIS BILL**

[03/21/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/5310_20240321.docx)

[03/27/2024](https://www.scstatehouse.gov/sess125_2023-2024/prever/5310_20240327.docx)

Indicates Matter Stricken

Indicates New Matter

Committee Report

March 27, 2024

H. 5310

Introduced by Reps. Murphy, G. M. Smith, Bannister, Brewer, Caskey, Gatch, Guest, J. E. Johnson, Mitchell, W. Newton, Robbins, Rose, Rutherford, Sandifer, Stavrinakis, West and Whitmire

S. Printed 03/27/24--H.

Read the first time March 21, 2024

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The committee on House Ways and Means

To whom was referred a Bill (H. 5310) to amend the South Carolina Code of Laws by amending Section 12‑37‑220, relating to property tax exemptions so as to exempt a portion of the value of aircraft of, etc., respectfully

Report:

That they have duly and carefully considered the same, and recommend that the same do pass:

GILDA COBB-HUNTER for Committee.

statement of estimated fiscal impact

Explanation of Fiscal Impact

State Expenditure

This bill creates an exemption for 36.8421 percent of the fair market value of all aircraft of each airline company for the purposes of property taxes. The bill also changes the way time on the ground is determined for the purposes of calculating the ratio of time that an aircraft is in this state compared to total time in and out of state for the purposes of determining the value subject to property tax. The tax is administered and collected by the Department of Revenue (DOR).

This bill is not expected to impact expenditures for DOR to administer the changes as we anticipate this can be accomplished with existing staff and resources.

State Revenue

This bill exempts 36.8421 percent of the fair market value of all aircraft of each airline company for the purposes of property taxes. For reference, reducing the fair market value by 36.8421 percent would have the same effect as reducing the assessment ratio from 9.5 percent to 6 percent. The bill also changes the way time on the ground is determined for the purposes of calculating the ratio of time that an aircraft is in this state compared to total time in and out of state for the purposes of determining the value subject to property tax.

Currently, all airline companies operating in the state must pay property taxes on aircraft operated in the state. These aircraft are assessed at 9.5 percent of the fair market value allocated to the state and taxed at the statewide average millage rate. The fair market value of the aircraft allocated to the state is based on the average of two ratios:

The ratio which the total time scheduled on the ground within this state of such aircraft during the preceding calendar or fiscal year bears to the total time scheduled on the ground within and without this state of such aircraft during the preceding calendar or fiscal year.

The ratio which the total mileage scheduled within this state of such aircraft operated in this state during the preceding calendar or fiscal year bears to the total mileage scheduled within and without this state of such aircraft during the preceding calendar or fiscal year.

Beginning with FY 2022-23, total aircraft property taxes are distributed to the State Aviation Fund. The table below shows the recent history of collections and the estimated collections for FY 2024-25. The estimate is based on historical growth in total fair market value of 4.84 percent and an expected statewide average millage rate of 349.2.

Aircraft Tax Revenue

FY 2020-21 FY 2021-22 FY 2022-23 FY 2023-24 FY 2024-25

(YTD) (Current

Estimate)

General Fund $2,877,150 $1,250,000 $0 $0 $0

State Aviation Fund $2,877,150 $3,373,007 $6,473,620 $6,660,807 $7,013,000

Total $5,754,300 $4,623,007 $6,473,620 $6,660,807 $7,013,000

Based on the figures above, exempting 36.8421 percent of the fair market value of the aircraft of airline companies from property taxes is expected to reduce aircraft tax revenue by approximately $2,794,000 beginning in FY 2024-25.

Further, the bill changes the calculation of the ratio for total time on the ground. The bill specifies that for determining time on the ground, each landing equals 30 minutes, and each overnight stay or maintenance day equals 2 hours. Currently, DOR reports that the ratio of time on the ground is computed to be approximately 0.00683486, and the ratio of total mileage is computed to be 0.002273279, for an average of 0.00455407. Assuming that it takes approximately 60 minutes on average to turnaround a plane, reducing the time for each landing to 30 minutes would reduce the time by 50 percent. Further, we assume that an overnight stay or maintenance day averages approximately 8 hours. Reducing an overnight stay from 8 hours to 2 hours would reduce this time by 75 percent. Based on these assumptions, we allocated 16 hours per day, or 66.7 percent, to landings, and the remaining 33.3 percent to overnight stays. This change would reduce the time allocation on the ground to 41.67 percent of the current allocation. Using this figure, the ratio for time on the ground would be reduced to 0.002847859. The new average ratio would then be 0.002560569, or 43.77 percent less than original average ratio. This reduction in value would lower the aircraft tax collected by $3,070,000 beginning in FY 2024-25.

Combining the effects of both the value exemption and the change in the ratio, the bill will reduce aircraft tax revenue to the State Aviation Fund by approximately $5,442,000 beginning in FY 2024-25 when accounting for the interaction of the two changes.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

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A bill

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12‑37‑220, RELATING TO PROPERTY TAX EXEMPTIONS SO AS TO EXEMPT A PORTION OF THE VALUE OF AIRCRAFT OF AN AIRLINE COMPANY; AND BY AMENDING SECTION 12‑37‑2440, RELATING TO THE VALUATION OF AIRCRAFT, SO AS TO SPECIFY THE MANNER IN WHICH TIME ON THE GROUND IS CALCULATED.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 12‑37‑220(B) of the S.C. Code is amended by adding:

(54) 36.8421 percent of the fair market value of all aircraft of each airline company. For purposes of this exemption, aircraft and airline company have the same meaning as provided in Article 19.

SECTION 2. Section 12‑37‑2440(a) of the S.C. Code is amended to read:

(a) The ratio which the total time scheduled on the ground within this State of such aircraft during the preceding calendar or fiscal year bears to the total time scheduled on the ground within and without this State of such aircraft during the preceding calendar or fiscal year. For purposes of determining time on the ground in this State, each landing in this State equals thirty minutes and each overnight stay or maintenance day in this State equals two hours.

SECTION 3. This act takes effect upon approval by the Governor.

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