

REPORT OF THE LEGISLATIVE SUBCOMMITTEE

Clyburn, Anthony, Whitmire, Erickson, and Cole
Staff Contact: Kenzie Riddle

HOUSE BILL 3867

H. 3867 -- Reps. Herbkersman, Pitts, Hayes and Anthony: A BILL TO AMEND SECTION 12-37-220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO EXEMPTIONS FROM PROPERTY TAX, SO AS TO EXEMPT ALL PROPERTY DEVOTED TO HOUSING LOW INCOME RESIDENTS IF THE PROPERTY IS OWNED BY AN INSTRUMENTALITY OF A NONPROFIT HOUSING CORPORATION.

Summary of Bill:

This bill exempts property tax on low income housing residents if the property is owned by a non profit housing corporation.

Estimated Revenue Impact:

This bill's expected impact on local property tax revenue is undetermined, due to the insufficient data on the potential increase of instrumentalities receiving the exemption and the property value of each instrumentality impacted as a result of the bill. However, only a few new exemptions, and thereby, a minimal impact on total property tax revenue.

Subcommittee Recommendation:

Favorable



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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Bill Number: H. 3867 Introduced on March 1, 2017
Author: Herbkersman
Subject: Property Tax Exemption
Requestor: House Ways and Means
RFA Analyst(s): Gable
Impact Date: March 21, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	Undetermined	\$0

Fiscal Impact Summary

This bill's expected impact on local property tax revenue is undetermined, due to the insufficient data on the potential increase of instrumentalities receiving the exemption and the property value of each instrumentality impacted as a result of the bill. However, we expect only a few new exemptions, and thereby, a minimal impact on total property tax revenue.

Explanation of Fiscal Impact

Introduced on March 1, 2017

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This bill expands the property tax exemption under S.C. Code Section 12-37-220(B)(11)(e) to include any nonprofit corporation's instrumentality devoted to providing housing to low or very low income residents and defines such instrumentalities to include partnerships, LLCs, and other corporations of which the nonprofit housing corporation is a partner, member, or shareholder. Currently, the section exempts nonprofit housing corporations and solely owned

instrumentalities of these corporations which are devoted to providing housing to low or very low income residents from local property taxes.

This bill is expected to impact local property tax revenue. There are currently 1,251 exemptions granted under S.C. Code Section 12-37-220(B)(11)(e) by the Department of Revenue but data regarding the value of these exemptions is unavailable. We anticipate that allowing any nonprofit corporation instrumentality devoted to providing housing to low and very low income residents, rather than just those that are solely owned, will add exemptions under this code section. Information is not available to estimate the exact number of potential new exemptions, but we anticipate that it is rare that an instrumentality would meet the definition under the bill, but not under current law, resulting in only a few new exemptions. Additionally, data is unavailable to estimate how much of a loss each additional exemption would cause to the local property tax revenue as the amount of property owned by each instrumentality may vary greatly. Due to the limited information available and the difficulty of determining both the prevalence of this situation occurring and the impact such an occurrence would have, the impact to the local property tax statewide is undetermined. However, as we expect the bill will create only a few new exemptions, the impact is likely to be minimal.



Frank A. Rainwater, Executive Director

South Carolina General Assembly
122nd Session, 2017-2018

H. 3867

STATUS INFORMATION

General Bill

Sponsors: Reps. Herbkersman, Pitts, Hayes, Anthony and Cobb-Hunter

Document Path: l:\council\bill\bbm\9603dg17.docx

Introduced in the House on March 1, 2017

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

Summary: Not yet available

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/1/2017	House	Introduced and read first time (<u>House Journal-page 4</u>)
3/1/2017	House	Referred to Committee on Ways and Means (<u>House Journal-page 4</u>)
3/2/2017	House	Member(s) request name added as sponsor: Cobb-Hunter

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VERSIONS OF THIS BILL

3/1/2017

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A BILL

TO AMEND SECTION 12-37-220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO EXEMPTIONS FROM PROPERTY TAX, SO AS TO EXEMPT ALL PROPERTY DEVOTED TO HOUSING LOW INCOME RESIDENTS IF THE PROPERTY IS OWNED BY AN INSTRUMENTALITY OF A NONPROFIT HOUSING CORPORATION.

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

SECTION 1. Section 12-37-220(B)(11)(e) of the 1976 Code is amended to read:

“(e) all property of nonprofit housing corporations or ~~solely-owned~~ instrumentalities of these corporations which is devoted to providing housing to low or very low income residents. A nonprofit housing corporation must satisfy the safe harbor provisions of Revenue Procedure 96-32 issued by the Internal Revenue Service ~~to qualify~~ for this exemption to apply. For purposes of this subitem, ‘instrumentalities’ means partnerships, limited liability companies, or other corporations of which the nonprofit housing corporation is a partner, member, or shareholder.”

SECTION 2. This act takes effect upon approval by the Governor and first applies to property tax years beginning after 2016.

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