**A** **BILL**

TO AMEND SECTION 11‑11‑156 OF THE 1976 CODE, RELATING TO THE HOMESTEAD EXEMPTION FUND, TO DEFINE SCHOOL OPERATING PURPOSES; AND TO AMEND 12‑37‑220, RELATING TO THE PROPERTY TAX EXEMPTION ON TAXES IMPOSED FOR SCHOOL OPERATING PURPOSES FOR OWNER‑OCCUPIED RESIDENTIAL PROPERTY, TO DEFINE SCHOOL OPERATING PURPOSES AND TO SPECIFY THAT THE EXEMPTION DOES NOT EXTEND TO PAYMENTS MADE PURSUANT TO A FINANCING AGREEMENT.

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

SECTION 1. Section 11‑11‑156(A)(1) of the 1976 Code is amended to read:

“(1) Beginning with fiscal year 2007‑2008, school districts of this State must be reimbursed from the Homestead Exemption Fund in the manner provided in this subsection. The reimbursement due a school district for fiscal year 2007‑2008 and thereafter consists of three tiers. The tier one reimbursement is an amount equal to the amount received by the district pursuant to the provisions of Section 12‑37‑251 as those provisions applied for fiscal year 2006‑2007. The tier one reimbursement is fixed at the fiscal year 2006‑2007 amount and continues into succeeding fiscal years at this fixed amount. The tier two reimbursement is the amount to be received by the district pursuant to the provisions of Section 12‑37‑270 for fiscal year 2006‑2007 for the school operating millage portion of the reimbursement for the homestead exemption allowed pursuant to Section 12‑37‑250. The tier two reimbursement is fixed at this fiscal year 2006‑2007 amount and continues into succeeding fiscal years at this fixed amount. The tier three reimbursement is derived from the revenue of the tax imposed pursuant to Article 11, Chapter 36 of Title 12, and for fiscal year 2007‑2008, consists of an amount equal dollar for dollar to the revenue that would be collected by the district from property tax for school operating purposes imposed by the district on owner‑occupied residential property for that fiscal year as if no reimbursed exemptions applied, plus an amount that a district may have received in its fiscal year 2006‑2007 reimbursements pursuant to Section 12‑37‑251 in excess of the computed amount of that exemption from school operating millage for that year, reduced by the total of the district’s tier one and tier two reimbursements.

For purposes of this subsection, ‘school operating purposes’ means the general day‑to‑day operations of the school, including, but not limited to, instructional services and programs, student services, staff services, public utility services, repairs and maintenance services, insurance, transportation services, and food service. ‘School operating purposes’ does not include expenditures for site acquisitions, capital improvements, payments made pursuant to a financing agreement as defined in Section 11‑27‑110(A)(6), or any other agreement which in substance is a financing agreement for capital improvements or that generates funds to pay for capital improvements or site acquisitions.”

SECTION 2. Section 12‑37‑220(B)(47)(a) of the 1976 Code is amended to read:

“(a) Effective for property tax years beginning after 2006 and to the extent not already exempt pursuant to Section 12‑37‑250, one hundred percent of the fair market value of owner‑occupied residential property eligible for and receiving the special assessment ratio allowed owner‑occupied residential property pursuant to Section 12‑43‑220(c) is exempt from all property taxes imposed for school operating purposes but not including millage imposed for the repayment of general obligation debt and payments made pursuant to a financing agreement as defined in Section 11‑27‑110(A)(6) or any other agreement which in substance is a financing agreement for capital improvements or that generates funds to pay for capital improvements or site acquisitions.

For purposes of this subitem, ‘school operating purposes’ means the general day‑to‑day operations of the school, including, but not limited to, instructional services and programs, student services, staff services, public utility services, repairs and maintenance services, insurance, transportation services, and food service. ‘School operating purposes’ does not include expenditures for site acquisitions, capital improvements, payments made pursuant to a financing agreement as defined in Section 11‑27‑110(A)(6), or any other agreement which in substance is a financing agreement for capital improvements or that generates funds to pay for capital improvements or site acquisitions.”

SECTION 3. This act takes effect upon approval by the Governor and applies to all property tax years beginning after December 31, 2006. For purposes of determining reimbursement amounts pursuant to Section 11‑11‑156, the amendments contained in this act must be applied.

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